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POLAND 2005

REPORT

FOREING TRADE

WARSAW 2005

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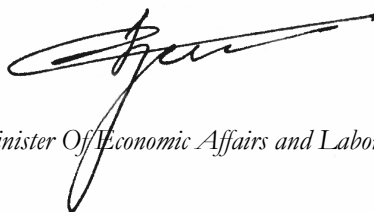
Ladies and Gentlemen!

We have the pleasure to present to You the current editions of the "Reports on the Economy", which our Ministry has prepared for a number of years. Aside from the overall description of the basic events and macroeconomic trends which apply to the whole economy, the Reports offer a detailed presentation of the most important areas (industry, foreign trade, the labor market).

The year 2004 brought positive changes in the political and socio-economic situation of the country. On 1st May, Poland became a full-fledged member of the European Union. Certainly, accession to the European Union has contributed to the improvement of the political and economic image of the country, to increased rate of economic growth and revival of the Polish exports. The consumers have certainly noticed an increase in the price of goods, but the entrepreneurs appreciated the easier exchange of commodities with other countries, and the improvement of economic results achieved by their firms. They have also experienced a strong impulse for modernization and the reduction of costs of their business activity (especially in enterprises producing goods for export, and in the transport sector). Certain signals appeared which show that Poles intend to profit from the possibilities of working and studying abroad. The first period of membership has also confirmed that Poland shall be a net beneficiary of the Union's budget.

The second half of 2004, and year 2005 are the period of calming the short-term effects of the so-called "EU impulse", and the subsequent years will bring "normalcy" of functioning in the new structures. Membership in the European Union offers Poland a huge opportunity to bridge the gap separating it from the most developed societies. The experience of the European Union, its financial support and the possibilities for the economic, scientific and cultural integration with the Member Countries, offer Poland a new perspective for development. However, to meet the expectations of the Common Market, an initiative on our part is necessary. It is necessary to improve the competitiveness of Polish firms, and to base the development of economy on knowledge and growth of innovation. On 29th June 2005, the Council of Ministers has approved the National Development Plan for the years 2007-2013 – the comprehensive plan for the social and economic development of the country. In the course of work on the NDP, a debate on the future of the country was held. The planned activities are meant to assure stable development of the Polish economy and accelerate the process of convergence with countries of the European Union.

Jacek Piechota



Minister Of Economic Affairs and Labor

Warsaw , September 2005

Contents

| | |
|---|-----------|
| 1. Conditions of foreign trade in the year 2004 | 7 |
| 1.1. Factors determining the level and dynamics of exports | 7 |
| 1.2. Factors determining the development of imports | 9 |
| 2. Results of foreign trade turnover as regards payments (acc. to NBP) | 11 |
| 3. Commodity turnover structure in the year 2004 (acc. to CSO) | 17 |
| 3.1. Turnover in the year 2004 as against the background of the transition period | 17 |
| 3.2. Changes in the turnover volume in the year 2004 as compared to previous years | 19 |
| 3.3. Foreign trade turnover balance | 21 |
| 4. Changes in the geographical structure of foreign trade turnover ... | 23 |
| 4.1. European Union markets | 24 |
| 4.2. Other than EU markets | 24 |
| 4.2.1. Markets of the Commonwealth of Independent States, including Russia | 25 |
| 4.2.2. Developing countries | 26 |
| 5. Commodity structure of foreign trade turnover | 30 |
| 5.1. Changes in the commodity structure of exports | 30 |
| 5.2. Changes in the commodity structure of imports | 31 |
| 6. Implications of Poland's accession to the European Union | 35 |
| 7. Major directions of imports in the year 2004 | 47 |
| 8. Realisation of trade policy in respect of international agreements | 49 |
| 8.1. World Trade Organization | 49 |
| 8.2. Customs liberalization in commodity turnover | 53 |

| | |
|---|----|
| 8.3. Non-tariff instruments in the year 2004 (considering the situation after Poland's accession to the EU) | 55 |
| 8.3.1. Non-tariff instruments adopted during the year 2003 (valid till April 30th, 2004 – EU accession) | 55 |
| 8.3.2. Non-tariff instruments implemented upon January 1st, 2004 (valid till April 30th, 2004 – EU accession) | 55 |
| 8.3.3. Non-tariff instruments adopted during the year 2004 (valid till April 30th, 2004 – EU accession) | 56 |
| 8.3.4. EU non-tariff instruments which covered Poland upon May 1st, 2004 | 56 |
| 8.4. Anti-dumping proceedings and protection against excessive import of goods to the Polish customs area in the year 2004 | 59 |
| Contents Table | 65 |
| Contents Chart | 67 |

Chapter 1

CONDITIONS OF FOREIGN TRADE IN THE YEAR 2004

1.1. Factors determining the level and dynamics of exports

- *relatively slow economic growth in the EU*

The favourable growth rate in global economy, initiated in the second half of the year 2003, was strengthened in the year 2004. According to the UN Economic Committee Secretariat for Europe in Geneva, the year 2004 is generally assessed as a very good year for global economy. The global GDP increased by ca 5%, despite the humpering impact of the dynamically rising prices of oil during the year. An evident economic revival was recorded inter alia in the USA (growth of GDP by 4.4%), in Japan (by 2.6%), in China (by 9.5%). The situation in European countries was not developing so favourably (growth of GDP in EU-25 by merely 2.2% and by 1.8% in the euro zone), mainly due to the slow growth rate of the biggest economies of that region (Germany, France and Italy). The economic growth in Germany in that period amounted to only 1.6%.

- *still strong position of the euro against the US dollar and Polish zloty*

In the year 2004 the average exchange rate of the euro against the zloty was nominally by 3.1% higher than the year earlier, whereas the average exchange rate of the dollar against the zloty decreased by 6%. During the entire analysed period, this created on average relatively favourable conditions for Polish exports denominated in the common European currency. However, the strengthening of the zloty in relation to both major currencies, taking place, particularly since the second quarter, gradually limited the profitability of exports.

According to the latest results of research on the economic situation conducted by the National Bank of Poland and the Foreign Trade Research Institute, Polish entrepreneurs assess that exports calculated in dollars cease

to be profitable when the exchange rate of the dollar is below PLN 3.52 and the exchange rate of euro – below PLN 4.1 (this concerns exporters, who did not insure against the foreign exchange rate risk).

Table 1. Nominal and real fluctuation in the exchange rate of the euro and US dollar in zlotys in successive quarters of the year 2004 as compared to respective periods of the previous year

| quarters | PLN/EUR | | | PLN/USD | | |
|------------|---------------|---------|-------|---------------|---------|------|
| | exchange rate | change | | exchange rate | change | |
| | | nominal | real | | nominal | real |
| 1st q 2004 | 4.7781 | 114.2 | 112.4 | 3.8237 | 98.1 | 96.6 |
| 2nd q 2004 | 4.6935 | 107.8 | 104.4 | 3.8938 | 101.5 | 98.3 |
| 3rd q 2004 | 4.4268 | 100.0 | 95.7 | 3.6230 | 92.1 | 88.1 |
| 4th q 2004 | 4.2431 | 91.8 | 87.9 | 3.2795 | 84.4 | 80.8 |

Source: Calculations by the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the National Bank of Poland (NBP).

- *rise of inflation*

Prices of consumer goods and services in the year 2004 as compared to the year 2003 increased on average by 3.5%, while prices of sold production of industry – by 7%. The rise of prices of sold production of industry (in the case of exports more reliable than the growth of prices of consumer goods and services), might be regarded as quite high and hence lowering the attractiveness of exports as compared to sales in Poland. The negative impact of this factor on the profitability of exports was nevertheless fully compensated by an even higher rise in export transaction prices (by 10.2%). Therefore, it might be recognised that the price conditions in the year 2004 supported pro-export activity.

- *further drop of unit labour costs in industry*

Following a two-year period of a major growth of labour productivity in industry (on average by ca 7%) in the years 2001–2002, during the last two years it further considerably accelerated, up to 12% in the year 2003 and 8.7% in the previous year. This resulted in a progressing reduction of unit labour costs in industry (drop by 9% in the year 2003 and by 7% in the previous year). Due to this negative impact of zloty appreciation on the profitability of exports was compensated. This effect was achieved mainly by the

progressing reduction of employment. In result, the high growth in exports – possible due to retaining a satisfactory price competitiveness of Polish products on foreign markets – did not lead to a considerable reduction of unemployment.

- *domestic demand*

In the year 2004 an evident revival of domestic demand took place. In the previous year its growth (by 5%) proved to be almost twice as fast as the year earlier. However, this did not lead to a weaker interest of entrepreneurs in exports. This may result not only from relatively favourable transaction prices of exports in relation to domestic prices and a different structure of domestic and foreign demand, but also from the exporters' desire to retain earlier acquired foreign markets.

- *better climate for foreign investments*

According to the report of the Gdansk Institute for Market Economics the present economic revival in Poland (growth of GDP by 5.4% in the year 2004) entails a reduction of investment risk. A significant factor reducing this risk, particularly in the opinion of foreign investors, is Poland's membership in the European Union. Foreign direct investments (FDI), according to data of the Polish Information and Foreign Investment Agency, increased in the year 2004 up to the level of USD 7.9 billion, i.e. a level higher by over USD 1 billion than in the previous year. This growth did not result a growth in exports in the same year. However, it created a chance for a further improvement as regards the export conditions of the Polish economy in future years.

1.2. Factors determining the development of imports

- The evident economic revival, particularly as concerns the sold production of industry – accompanied by high import flexibility in the development of Polish economy, in particular of entities with foreign capital, increased the demand for intermediate and investment imports.

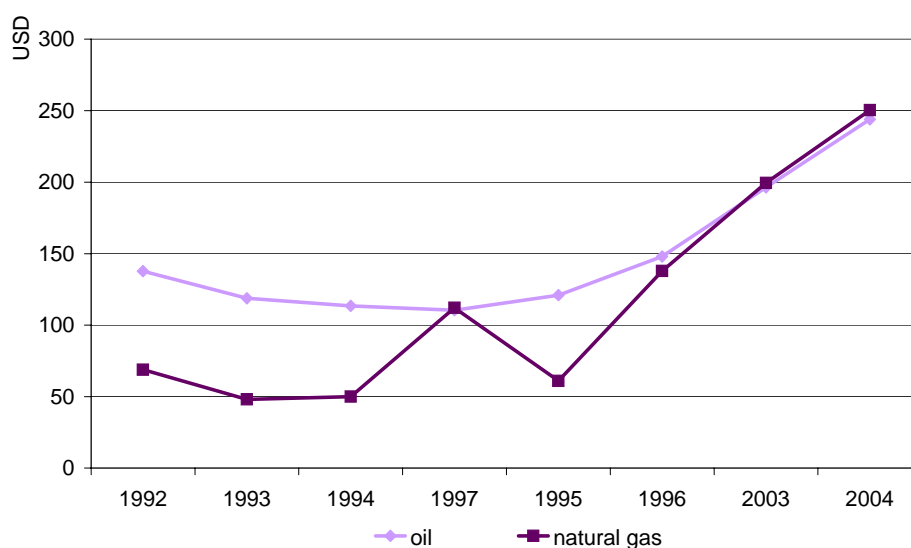
- *strengthening of the zloty in relation to major currencies*

The gradual strengthening of the zloty was favourable for the growth of imports. In result the imports of commodities underwent a certain revival in successive quarters of the year 2004 (from the level of USD 19 billion in the first quarter of the year up to USD 24.2 billion in the fourth quarter). According to the opinion of entrepreneurs presented in research conducted by the National Bank of Poland (NBP), imports is competitive in relation to domestic production while the exchange rate of the US dollar is below PLN 3.66 and euro – below PLN 4.24.

- *dynamic rise of oil and gas prices*

The uncertainty of the situation in Iraq while at the same time the global economy was reviving resulted in a rise in prices of oil and natural gas. These changes directly influenced the growth in value of Polish imports. However, the strengthening of the zloty against the US dollar tempered in a certain degree the effects of increased prices of fuels imported in this currency, mainly from Russia (vide: Chart below).

Chart 1. Changes in average prices of oil and gas since the year 1992 (USD)



Source: Calculations by the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the Central Statistical Office (CSO).

Chapter 2

RESULTS OF FOREIGN TRADE TURNOVER AS REGARDS PAYMENTS (ACC. TO NBP)

In the year 2004, the high growth rate of commodity turnover in US dollars was still maintained. The growth rate of exports, despite a certain slowdown during the year (from 38.9% in the first quarter up to 32.4% in the fourth quarter of 2004), being partly the result of a high reference base in the second half of the previous year, proved to be on average by several percentage points higher than the exceptionally high growth index in the previous year.

In the year 2004 exports reached the level of USD 81.6 billion, i.e. higher by USD 20.6 billion than in the previous year. At the same time the increase in imports, up to the level of USD 87.2 billion, proved to be by ca USD 0.2 million smaller. It resulted in a slight reduction of the deficit to the level of USD 5.6 billion. The stabilisation of the turnover balance, and even its slight improvement at such a considerable growth in the scale of turnover, is a new phenomenon in the transition period of recent years, pointing to the increasing level of modernisation and competitiveness of Polish economy.

Results of monthly turnover during the last three years are illustrated in the Table 2.

In a situation when the common European currency was strengthened against to the US dollar, the growth rate of commodity turnover expressed in euro was, due to natural reasons, slower than that counted in US dollars. Exports (EUR 65.7 billion) reached a level by EUR 11.8 billion higher than the year earlier, whereas imports increased by EUR 11.2 billion to the level of EUR 70.1 billion. In respect of the slightly higher share of the dollar in import settlements, the surplus of the growth in exports over the growth in imports as calculated in EUR proved to be higher than that counted in US dollars. In result, the reduction of the deficit in commodity turnover (up to the level of EUR 4.5 billion) proved here to be 3 – times higher than expressed in US dollars and reached EUR 571 million.

Table 2. Foreign trade turnover in the years 2002–2004 (in million USD)

| Months | 2002 in mln USD | | | 2003 in mln USD | | | index 2002 = 100 | | 2004 in mln USD | | | index 2003 = 100 | |
|-------------|--------------------|---------|---------|--------------------|---------|---------|------------------|---------|--------------------|---------|---------|------------------|---------|
| | Exports | Imports | Balance | Exports | Imports | Balance | Exports | Imports | Exports | Imports | Balance | Exports | Imports |
| January | 3,211 | 3,570 | -359 | 4,041 | 4,579 | -538 | 125.8 | 128.3 | 5,373 | 5,786 | -413 | 133.0 | 126.4 |
| February | 3,050 | 3,795 | -745 | 4,169 | 4,724 | -555 | 136.7 | 124.5 | 5,786 | 5,797 | -11 | 138.8 | 122.7 |
| March | 3,535 | 4,233 | -698 | 4,772 | 5,320 | -548 | 135 | 125.7 | 6,874 | 7,582 | -708 | 144.0 | 142.5 |
| 1st quarter | 9,796 | 11,598 | -1,802 | 12,982 | 14,623 | -1,641 | 132.5 | 126.1 | 18,033 | 19,165 | -1,132 | 138.9 | 131.1 |
| April | 3,812 | 4,636 | -824 | 4,855 | 5,327 | -472 | 127.4 | 114.9 | 6,910 | 8,097 | -1,187 | 142.3 | 152.0 |
| May | 3,627 | 4,251 | -624 | 4,997 | 5,526 | -529 | 137.8 | 130 | 6,427 | 6,724 | -297 | 128.6 | 121.7 |
| June | 3,989 | 4,488 | -499 | 5,042 | 5,276 | -234 | 126.4 | 117.6 | 7,081 | 7,315 | -234 | 140.4 | 138.6 |
| 2nd quarter | 11,428 | 13,375 | -1,947 | 14,894 | 16,129 | -1,235 | 130.3 | 120.6 | 20,418 | 22,136 | -1,718 | 137.1 | 137.2 |
| July | 4,198 | 4,847 | -649 | 5,260 | 5,976 | -716 | 125.3 | 123.3 | 6,439 | 7,035 | -596 | 122.4 | 117.7 |
| August | 3,941 | 4,220 | -279 | 4,663 | 5,003 | -340 | 118.3 | 118.6 | 6,279 | 6,662 | -383 | 134.7 | 133.2 |
| September | 4,273 | 4,767 | -494 | 5,867 | 6,115 | -248 | 137.3 | 128.3 | 7,496 | 7,918 | -422 | 127.8 | 129.5 |
| 3rd quarter | 12,412 | 13,834 | -1,422 | 15,790 | 17,094 | -1,304 | 127.2 | 123.6 | 20,214 | 21,615 | -1,401 | 128.0 | 126.4 |
| October | 4,807 | 5,306 | -499 | 6,239 | 6,500 | -261 | 129.8 | 122.5 | 7,667 | 7,998 | -331 | 122.9 | 123.0 |
| November | 4,319 | 5,046 | -727 | 5,496 | 5,988 | -492 | 127.3 | 118.7 | 7,875 | 8,206 | -331 | 143.3 | 137.0 |
| December | 3,971 | 4,828 | -857 | 5,572 | 6,381 | -809 | 140.3 | 132.2 | 7,369 | 8,040 | -671 | 132.3 | 126.0 |
| 4th quarter | 13,097 | 15,180 | -2,083 | 17,307 | 18,869 | -1,562 | 132.1 | 124.3 | 22,911 | 24,244 | -1,333 | 132.4 | 128.5 |
| YEAR | 46,733 | 53,987 | -7,254 | 60,973 | 66,715 | -5,742 | 130.5 | 123.6 | 81,576 | 87,160 | -5,584 | 133.8 | 130.6 |

Source: Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the National Bank of Poland (NBP).

The dynamic growth of exports in two recent years was a significant source for economic revival in Poland. Its relation to the GDP considerably increased as compared to the year 2003 and reached in 2004 over 33%. However, its value as calculated per capita (USD 2,140) still remains much lower than in countries of a similar level of economic development, e.g. Czech Republic (USD 4,700), Hungary (USD 4,300) or Slovakia (USD 4,000). The changes of the relation of exports to the GDP in the last several years are presented in the Table 3.

Higher growth of exports than growth of imports influenced the gradual reduction of the negative commodity turnover balance occurring in the recent few years (from over USD 15 billion in the year 1999 to 5.6 in the year 2004). The commodity turnover balance, as the major item on the current turnover

balance, has a determining impact on forming the balance of this account. The considerable improvement of the commodity turnover balance (by over USD 9 billion during almost 5 years) brought the reduction of the current account deficit, and therefore improvement of its relation to the GDP. This is illustrated in the Table 4.

Table 3. Relation of exports to the GDP in the years 1995–2004

| Specification | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| GDP in billion USD | 135.9 | 153.7 | 153.7 | 168.7 | 164.5 | 166.5 | 185.8 | 191.3 | 209.8 | 242.3 |
| GDP growth in % | 107.0 | 106.1 | 106.8 | 104.8 | 104.1 | 104.0 | 101.0 | 101.4 | 103.8 | 105.3 |
| export revenue in billion USD | 25.0 | 27.6 | 30.7 | 32.5 | 30.1 | 35.9 | 41.7 | 46.7 | 61.0 | 81.6 |
| export revenue/GDP in % | 18.4 | 18.0 | 20.0 | 19.3 | 18.3 | 21.6 | 22.4 | 24.4 | 29.1 | 33.7 |

Source: *Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the National Bank of Poland (NBP).*

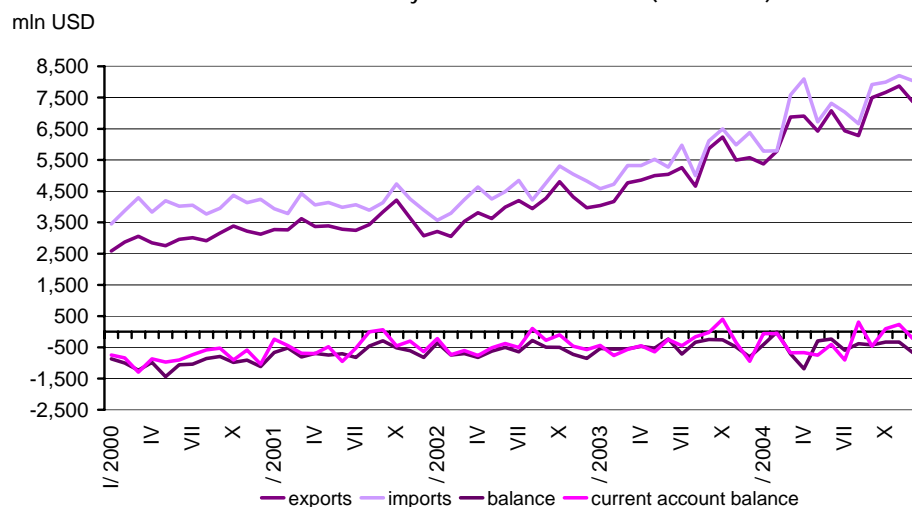
Table 4. Current account balance in the years 1995–2004

| Specification | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|------|------|------|-------|-------|-------|------|------|------|------|
| Commodity turnover balance in billion USD | -1.6 | -7.3 | -9.8 | -12.8 | -15.1 | -12.3 | -7.7 | -7.3 | -5.7 | -5.6 |
| Commodity turnover balance/GDP in % | -1.2 | -4.7 | -6.4 | -7.6 | -9.2 | -7.4 | -4.1 | -3.8 | -2.7 | -2.3 |
| Current turnover account balance in billion USD | 0.9 | -3.3 | -5.7 | -6.9 | -12.5 | -10.0 | -5.4 | -5.0 | -4.6 | -3.6 |
| C.t.a.b./GDP in % | 0.7 | -2.1 | -3.7 | -4.1 | -7.6 | -6.0 | -2.9 | -2.6 | -2.2 | -1.5 |

Source: *Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the National Bank of Poland (NBP).*

Despite short-term volatility the increasing tendency of turnover has been observed the last five years (especially in the last three years). This is illustrated by the Chart 2 and Table 5.

Chart 2. Monthly foreign trade turnover, commodity turnover balance and on the current turnover balance since January 2000 to December 2004 (acc. to NBP)



Source: Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the National Bank of Poland (NBP).

Table 5. Monthly commodity turnover in foreign trade since January 2000 to December 2004 (acc. to NBP)

| period | in mln USD | | | Index in % corresponding month prev. year=100 | | current turnover account |
|-----------------|------------|---------|----------|---|---------|--------------------------------|
| | exports | imports | balance | exports | imports | |
| I/ 2000 | 2,585 | 3,456 | -871 | | | -745 |
| II | 2,874 | 3,877 | -1,003 | | | -839 |
| III | 3,058 | 4,295 | -1,237 | | | -1,292 |
| IV | 2,844 | 3,827 | -983 | | | -871 |
| V | 2,753 | 4,194 | -1,441 | | | -974 |
| VI | 2,958 | 4,019 | -1,061 | | | -902 |
| VII | 3,012 | 4,053 | -1,041 | | | -737 |
| VIII | 2,912 | 3,773 | -861 | | | -582 |
| IX | 3,160 | 3,955 | -795 | | | -526 |
| X | 3,388 | 4,370 | -982 | | | -903 |
| XI | 3,220 | 4,135 | -915 | | | -589 |
| XII | 3,124 | 4,241 | -1,117 | | | -1,042 |
| year: 2000 | 35,888 | 48,195 | -12,307 | | | -10,002 |
| monthly average | 2,990.7 | 4,016.3 | -1,025.6 | | | -833,5 |

| period | <i>in mln USD</i> | | | Index in % corresponding month prev. year=100 | | current turnover account |
|-----------------|-------------------|---------|---------|---|---------|--------------------------------|
| | exports | imports | balance | exports | imports | balance |
| I/ 2001 | 3,271 | 3,939 | -668 | 126.5 | 114.0 | -237 |
| II | 3,265 | 3,786 | -521 | 113.6 | 97.7 | -441 |
| III | 3,621 | 4,428 | -807 | 118.4 | 103.1 | -692 |
| IV | 3,368 | 4,062 | -694 | 118.4 | 106.1 | -699 |
| V | 3,392 | 4,138 | -746 | 123.2 | 98.7 | -481 |
| VI | 3,281 | 3,987 | -706 | 110.9 | 99.2 | -952 |
| VII | 3,243 | 4,066 | -823 | 107.7 | 100.3 | -526 |
| VIII | 3,430 | 3,893 | -463 | 117.8 | 103.2 | -5 |
| IX | 3,841 | 4,132 | -291 | 121.6 | 104.5 | 63 |
| X | 4,215 | 4,732 | -517 | 124.4 | 108.3 | -455 |
| XI | 3,644 | 4,252 | -608 | 113.2 | 102.8 | -299 |
| XII | 3,076 | 3,900 | -824 | 98.5 | 92.0 | -635 |
| year: 2001 | 41,647 | 49,315 | -7,668 | 116.0 | 102.3 | -5,359 |
| monthly average | 3,470.6 | 4,109.6 | -639.0 | | | -446.6 |
| I/ 2002 | 3,211 | 3,570 | -359 | 98.2 | 90.6 | -221 |
| II | 3,050 | 3,795 | -745 | 93.4 | 100.2 | -736 |
| III | 3,535 | 4,233 | -698 | 97.6 | 95.6 | -604 |
| IV | 3,812 | 4,636 | -824 | 113.2 | 114.1 | -760 |
| V | 3,627 | 4,251 | -624 | 106.9 | 102.7 | -512 |
| VI | 3,989 | 4,488 | -499 | 121.6 | 112.6 | -375 |
| VII | 4,198 | 4,847 | -649 | 129.4 | 119.2 | -503 |
| VIII | 3,941 | 4,220 | -279 | 114.9 | 108.4 | 102 |
| IX | 4,273 | 4,767 | -494 | 111.2 | 115.4 | -278 |
| X | 4,807 | 5,306 | -499 | 114.0 | 112.1 | -102 |
| XI | 4,319 | 5,046 | -727 | 118.5 | 118.7 | -465 |
| XII | 3,971 | 4,828 | -857 | 129.1 | 123.8 | -570 |
| year: 2002 | 46,733 | 53,987 | -7,254 | 112.2 | 109.5 | -5,024 |
| monthly average | 3,894.4 | 4,498.9 | -604.5 | | | -418.7 |
| I/ 2003 | 4,041 | 4,579 | -538 | 125.8 | 128.3 | -440 |
| II | 4,169 | 4,724 | -555 | 136.7 | 124.5 | -762 |
| III | 4,772 | 5,320 | -548 | 135.0 | 125.7 | -564 |
| IV | 4,855 | 5,327 | -472 | 127.4 | 114.9 | -451 |
| V | 4,997 | 5,526 | -529 | 137.8 | 130.0 | -644 |
| VI | 5,042 | 5,276 | -234 | 126.4 | 117.6 | -247 |
| VII | 5,260 | 5,976 | -716 | 125.3 | 123.3 | -452 |

| period | in mln USD | | | Index in % corresponding month prev. year=100 | | current turnover account |
|-----------------|------------|---------|---------|---|---------|--------------------------------|
| | exports | imports | balance | exports | imports | |
| VIII | 4,663 | 5,003 | -340 | 118.3 | 118.6 | -164 |
| IX | 5,867 | 6,115 | -248 | 137.3 | 128.3 | -23 |
| X | 6,239 | 6,500 | -261 | 129.8 | 122.5 | 403 |
| XI | 5,496 | 5,988 | -492 | 127.3 | 118.7 | -347 |
| XII | 5,572 | 6,381 | -809 | 140.3 | 132.2 | -944 |
| year: 2003 | 60,973 | 66,715 | -5,742 | 130.5 | 123.6 | -4,635 |
| monthly average | 5,081.1 | 5,559.6 | -478,5 | | | -386.3 |
| I/ 2004 | 5,373 | 5,786 | -413 | 133.0 | 126.4 | -64 |
| II | 5,786 | 5,797 | -11 | 138.8 | 122.7 | -58 |
| III | 6,874 | 7,582 | -708 | 144.0 | 142.5 | -674 |
| IV | 6,910 | 8,097 | -1,187 | 142.3 | 152.0 | -673 |
| V | 6,427 | 6,724 | -297 | 128.6 | 121.7 | -750 |
| VI | 7,081 | 7,315 | -234 | 140.4 | 138.6 | -408 |
| VII | 6,439 | 7,035 | -596 | 122.4 | 117.7 | -903 |
| VIII | 6,279 | 6,662 | -383 | 134.7 | 133.2 | 307 |
| IX | 7,496 | 7,918 | -422 | 127.8 | 129.5 | -468 |
| X | 7,667 | 7,998 | -331 | 122.9 | 123.0 | 93 |
| XI | 7,875 | 8,206 | -331 | 143.3 | 137.0 | 230 |
| XII | 7,369 | 8,040 | -671 | 132.3 | 126.0 | -220 |
| year: 2004 | 81,576 | 87,160 | -5,584 | 133.8 | 130.6 | -3,588 |
| monthly average | 6,798 | 7,263 | -465,3 | | | -299,0 |

Source: Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the National Bank of Poland (NBP).

Chapter 3

COMMODITY TURNOVER STRUCTURE IN THE YEAR 2004 (ACC. TO CSO)

3.1. Turnover in the year 2004 as against the background of the transition period

The general results of the commodity exchange achieved in the year 2004 favourably differ from those gained during the 14 years of economic transition. This is determined not only by the revival of turnover (not recorded in recent time), particularly on the side of exports, but also achievement of a further evident improvement of the exchange balance. The growth in turnover in the year 2004 as compared to the year 2003 reached USD 40.4 billion, i.e. it was higher, by USD 10 billion than the value of turnover in the year 1992. The level of turnover in the year 2004 reached USD 162 billion, and was over 5-times higher than that in the year 1992. At the same time exports increased a bit slower than imports (respectively almost 5-times and 5.7-times). As regards the growth rate of the US dollar value of turnover, the year 2004 was comparable solely with the year 1995, when both in exports, and in imports a growth of over 30% was recorded.

In other previous years the rate growth was evidently slower, particularly in exports. In the year 1992 exports dropped by 11.5%, and in the year 1999 – mainly in a result of the Russian crisis a breakdown of turnover occurred on both sides.

In the year 2004, the exports of commodities exceeded the level of USD 73.8 billion, i.e. by USD 20.2 billion (i.e. by 37.7%) higher than in the previous year. Whereas imports during that time grew by 8.1 percentage point slower, reaching the level of USD 88.2 billion (growth by USD 20.2 billion as compared to the previous year). The deficit of commodity turnover remained similar to that recorded in the previous year (USD 14.4 billion).

Table 6. Foreign trade turnover in the years 1992–2004

| Year | acc. to the NBP | | | | | acc. to SAD | | | | |
|------|-----------------|---------|---------|------------------------------|---------|-------------|---------|---------|------------------------------|---------|
| | in mln USD | | | Index previous year = 100 | | in mln USD | | | Index previous year = 100 | |
| | Exports | Imports | Balance | Exports | Imports | Exports | Imports | Balance | Exports | Imports |
| 1992 | | | | | | 13,187 | 15,913 | -2,726 | 88.5 | 102.5 |
| 1993 | | | | | | 14,143 | 18,834 | -4,691 | 107.2 | 118.4 |
| 1994 | 18,355 | 18,930 | -575 | | | 17,240 | 21,596 | -4,356 | 121.9 | 114.7 |
| 1995 | 25,041 | 26,687 | -1,646 | 136.4 | 141.0 | 22,895 | 29,050 | -6,155 | 132.8 | 134.5 |
| 1996 | 27,557 | 34,844 | -7,287 | 110.0 | 130.6 | 24,440 | 37,137 | -12,697 | 106.7 | 127.8 |
| 1997 | 30,731 | 40,553 | -9,822 | 111.5 | 116.4 | 25,751 | 42,307 | -16,556 | 105.4 | 113.9 |
| 1998 | 32,467 | 45,303 | -12,836 | 105.6 | 111.7 | 28,229 | 47,054 | -18,825 | 109.6 | 111.2 |
| 1999 | 30,060 | 45,132 | -15,072 | 92.6 | 99.6 | 27,407 | 45,911 | -18,504 | 97.1 | 97.6 |
| 2000 | 35,902 | 48,209 | -12,307 | 119.4 | 106.8 | 31,651 | 48,940 | -17,289 | 115.5 | 106.6 |
| 2001 | 41,663 | 49,324 | -7,661 | 116.0 | 102.3 | 36,092 | 50,275 | -14,183 | 114.0 | 102.7 |
| 2002 | 46,742 | 53,991 | -7,249 | 112.2 | 109.5 | 41,010 | 55,113 | -14,103 | 113.6 | 109.6 |
| 2003 | 60,972 | 66,704 | -5,732 | 146.3 | 135.2 | 53,577 | 68,004 | -14,427 | 130.6 | 123.4 |
| 2004 | 81,576 | 87,160 | -5,584 | 133.8 | 130.6 | 73,781 | 88,156 | -14,375 | 137.7 | 129.6 |

Source: Data of the National Bank of Poland and the Central Statistical Office.

In respect of the stronger position of the common European currency in relation to the US dollar, as well as its dominating share in the settlements of Poland's trade transactions (over 70%), due to conversion of the turnover value from the strong euro to the weaker US dollar, the dynamics of US dollar turnover increased. In result, the growth rate of turnover expressed in euro was much lower than that in US dollars. In the year 2004 exports increased to the level of EUR 59.7 billion (by 26%), whereas imports to EUR 71.4 billion (by 18.6%). This led to the reduction of the negative turnover balance by almost EUR 1.1 billion to the level of EUR 11.7 billion.

Since the beginning of the year 2004 the distance between the growth rates of turnover viewed in both major currencies has been narrowing. While in the year 2003 this distance reached 21.4 percentage points in exports and 20.3 percentage points in imports in favour of the US dollar dimension, then in

successive months of the year 2004 it gradually lowered from over 20 percentage points in January to 10 percentage points in December. It is the result of a certain slowdown in the appreciation trend of the euro against the US dollar in the previous year (the strengthening of the euro against the US dollar in December 2004 amounted to 10%, whereas in January 2004 it reached as much as 19%).

3.2. Changes in the turnover volume in the year 2004 as compared to previous years

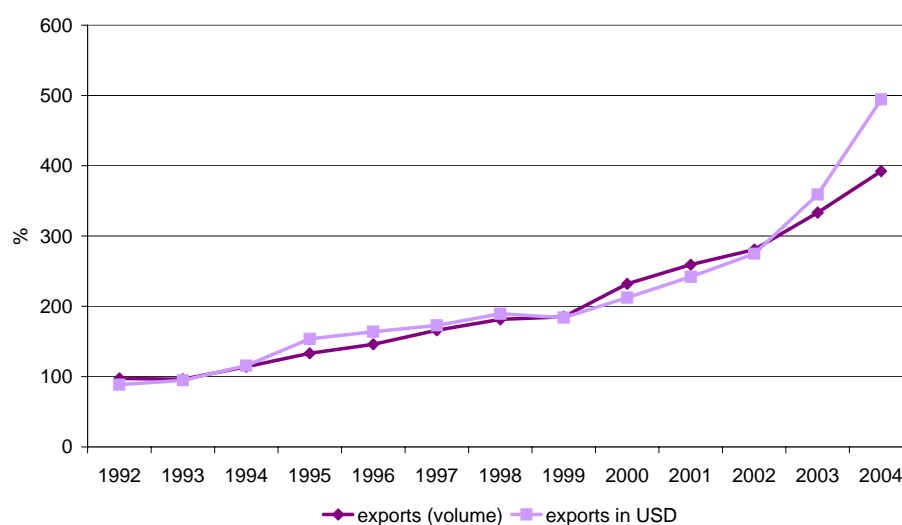
In the years 1992–2003 exports expressed in US dollars increased on average by ca 12%, i.e. 3-times slower than in the year 2004, when the growth rate reached almost 38%. Whereas, the average growth of export volume in these years (growth rate 10.9%) turned out to be only 1.6-times slower than in the year 2004. This comparison requires to keep a more balanced attitude towards the assessment of the high growth rate of exports in US dollar dimension during the last two years.

However, the fact itself of significant speedup of growth rate of export volume in the year 2004 as compared to its average growth in the last several years, might point to the considerable export potential of Polish economy and the possibilities of its rapid launching in favourable exchange rate conditions. Imports expressed in US dollars increased in the years 1992–2003 on average by 13.6%. The growth rate of the import volume was by 0.1 percentage point faster, which may be viewed as a favourable phenomenon, as concerns both the costs of economy reconstruction and the costs of supplying the domestic market and level of inflation. However, the year 2003 brought an unfavourable reversal of this relation. Although, it was not as drastic as a simple comparison would show – between the growth rate of the import dollar value, in the nominal dimension of this currency (29.3%), and the growth rate of import volume (15.1%), nevertheless the fact itself of reversing the previous proportion is worth mentioning. Taking into account the real value of the US dollar in reference to the basket of

foreign currencies significant in Polish import settlements (including the Polish currency) decreased in the year 2003 on the side of imports by ca 11%, it is estimated, that the growth rate of the real import dollar value amounted to ca 11.2%. However, despite such a major correction downwards, it proved to be by over 2 percentage points higher than the growth rate of import volume in the year 2004, which shows the evident growth of foreign currency expenditure per unit of import volume, i.e. its relatively more expensive value. This was certainly determined to a major extent by the rise of oil and gas prices. Due to natural reasons such a situation required the rationalisation of import purchases. This mainly referred to purchases made on markets of Western Europe, settled in euro and other relatively strong currencies. Whereas, the scale of reducing import volume settled in US dollars, inter alia oil and gas, was incommensurately smaller, partly due to lower transaction prices and partly due to the natural impossibility of reducing import demand, particularly for basic raw materials.

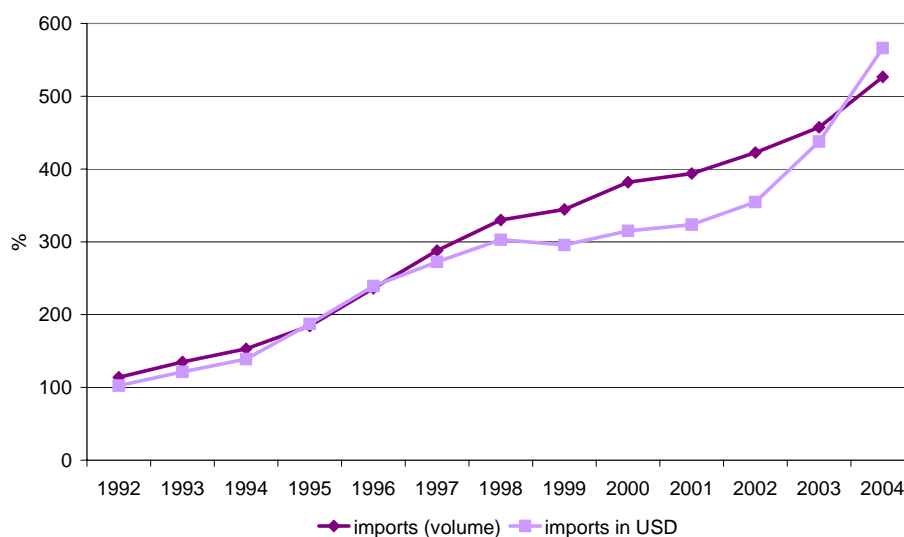
Changes in turnover volume during recent years are illustrated by the Chart 3 and 4.

Chart 3. Changes in the value of exports and export volume in the years 1992–2004



Source: Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the Central Statistical Office (CSO).

Chart 4. Changes in the value of import and import volume in the years 1992–2004



Source: Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the Central Statistical Office (CSO).

3.3. Foreign trade turnover balance

The upturn in foreign trade turnover, noticeable in recent years, is resulting in a gradual reduction of the negative turnover balance. In the year 2004, the degree of balancing of Polish commodity turnover, measured as the relation of the exchange balance to exports, was further improved, i.e. from – 26.9% in the year 2003 to – 19.5% in the year 2004 (see: Table 7 and Chart 5).

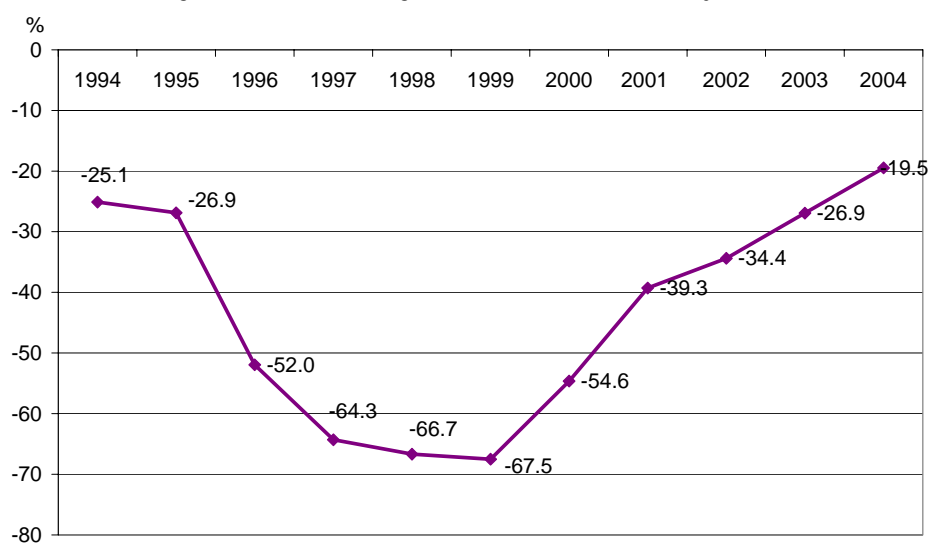
Table 7. Foreign trade turnover in the years 1992–2004 (acc. to SAD)

| Year | in million US dollars | | | % |
|------|-----------------------|---------|---------|---------------------------------------|
| | Exports | Imports | Balance | Index of commodity turnover balancing |
| 1992 | 13,187 | 15,913 | -2,726 | -20.7 |
| 1993 | 14,143 | 18,834 | -4,691 | -33.2 |
| 1994 | 17,240 | 21,596 | -4,356 | -25.3 |
| 1995 | 22,895 | 29,050 | -6,155 | -26.9 |
| 1996 | 24,440 | 37,137 | -12,697 | -52.0 |
| 1997 | 25,751 | 42,307 | -16,556 | -64.3 |

| | | | | |
|------|--------|--------|---------|-------|
| 1998 | 28,229 | 47,054 | -18,825 | -66.7 |
| 1999 | 27,407 | 45,911 | -18,504 | -67.5 |
| 2000 | 31,651 | 48,940 | -17,289 | -54.6 |
| 2001 | 36,092 | 50,275 | -14,183 | -39.3 |
| 2002 | 41,010 | 55,113 | -14,103 | -34.4 |
| 2003 | 53,577 | 68,004 | -14,427 | -26.9 |
| 2004 | 73,781 | 88,156 | -14,375 | -19.5 |

Source: Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the Central Statistical Office (CSO).

Chart 5. Changes in the index of foreign trade turnover balance in the years 1994–2004



Source: Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the Central Statistical Office (CSO).

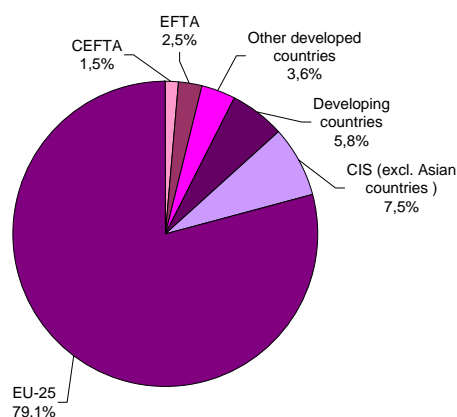
Chapter 4

CHANGES IN THE GEOGRAPHICAL STRUCTURE OF FOREIGN TRADE TURNOVER

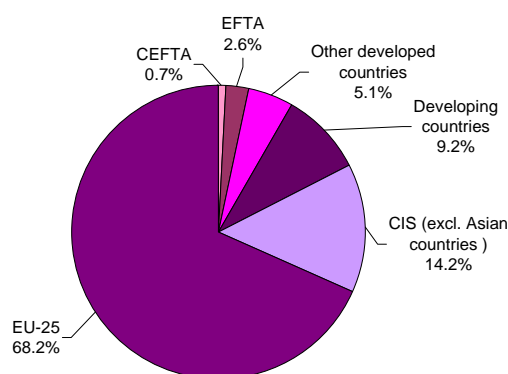
In the year 2004 the geographical structure of commodity exchange was similar to the one existing in recent years. For few years the EU countries have remained Poland's major trade markets. Their share in foreign trade amounts to 78% as concerns exports and 68% – imports.

Chart 6. Geographical structure of foreign trade turnover in the year 2004

a) in exports



b) in imports



Source: Data of the Central Statistical Office.

Table 8. Poland's foreign trade turnover in the year 2004 in a breakdown by groups of countries (in million USD)

| Group of countries | 2003 | | | 2004 | | | Index 2003 = 100 | |
|----------------------|---------|---------|---------|---------|---------|---------|---------------------|---------|
| | exports | imports | balance | exports | imports | balance | exports | imports |
| POLAND | 53,577 | 68,004 | -14,427 | 73,781 | 88,156 | -14,375 | 137.7 | 129.6 |
| Developed countries, | 46,450 | 52,567 | -6,067 | 62,851 | 66,890 | -4,039 | 135.1 | 127.2 |
| of which: | | | | | | | | |
| EU-25 | 43,282 | 47,023 | -3,741 | 58,367 | 60,110 | -1,744 | 134.9 | 127.8 |
| CIS | 3,730 | 6,581 | -2,851 | 5,789 | 8,805 | -3,015 | 155.2 | 133.8 |
| of which: | | | | | | | | |
| Russia | 1,512 | 5,215 | -3,702 | 2,843 | 6,391 | -3,548 | 188.0 | 122.6 |
| Developing countries | 2,923 | 8,763 | -5,840 | 4,264 | 12,516 | -8,252 | 145.9 | 142.9 |

Source: Data of the Central Statistical Office.

4.1. European Union markets

In the year 2004 *the most favourable situation in foreign trade turnover was recorded in the exchange with the European Union countries*. The negative turnover balance decreased here by USD 2 billion as compared to the year 2003. This result was mostly determined by increasing the surplus in turnover with Great Britain (by USD 900 million). In the exchange with 7 EU countries the turnover balance deteriorated (jointly by USD 403 million as compared to the year 2003), of which the highest – with Lithuania, where the surplus was reduced by USD 248 million.

Polish accession to the European Union on the 1st May of 2004 had a significant impact on the improvement of the trade figures with the EU. For implications of Poland's accession to the European Union please see chapter 6.

4.2. Non-EU markets

In the year 2004, some 22% of Polish exports were directed to the non-EU markets, whereas imports from those markets accounted for almost 32% of total imports. Among them the major position was taken by markets of the

Commonwealth of Independent States – CIS (7.8% of exports and 10% of imports) and markets included in the group of developing countries (5.8% of exports and 14.2% of imports). Opposite to EU markets, the turnover with the above mentioned two groups of markets is characterised by a relatively high degree of deficit and the lack of a visible progress as regards its reducing. Nevertheless growth rate on both sides, both with the first and second group of markets, evidently exceeded the respective average growth rates of Poland's total turnover in the year 2004.

4.2.1. Markets of the Commonwealth of Independent States, including Russia

In the year 2004, exports to the CIS markets increased by over 55% (by nearly 18 percentage points faster than on average) to the level of almost USD 5.8 billion.

At the same time imports grew by almost 34%, i.e. by over 4 percentage points faster than on average and reached the level of over USD 8.8 billion. In result, the exchange deficit increased by over USD 160 million and exceeded USD 3 billion, accounting for over 20% of the total deficit of Polish foreign trade in the year 2004. It resulted mainly from the increase in the exchange deficit with Kazakhstan (of USD 266 million) and from changing the exchange surplus with Belarus into the deficit of over USD 133 million. However, the improvement in the exchange balance with Russia and Ukraine (by USD 323 million) made up to a large extent for these unfavourable changes. The major position among markets of this group is taken by Russia (almost half of exports to CIS markets and nearly 60% of imports) and Ukraine (respectively 35% and almost 10%). Although the scale of Polish exports to these two markets is comparable, as regards the scale of imports and its relation to exports, and in result the deficit of exchange, the situation is totally reverse and unfavourable for Russia. The trade surplus with Ukraine, amounting to USD 800 million, was accompanied by a high deficit in trade with Russia. Its level (over USD 3.5 billion) accounted for almost $\frac{1}{4}$ of the total commodity exchange deficit in the year 2004. Commodity turnover with Russia has therefore a determining impact not only on the results of Polish exchange with the discussed group, but also on the total results of Poland's commodity exchange.

4.2.2. Developing countries

Exports to markets of developing countries increased by almost 46% i.e. by 9 percentage points faster than average and reached the level of nearly USD 4.3 billion. However, at the same time, the traditionally very high imports from those markets also grew (by almost 43%, i.e. by over 13 percentage points faster than average), exceeding the level of USD 12.5 billion. In the previous year exports to the markets of these countries accounted for merely 5.8% of total exports while imports from these markets reached 14.2%. The traditionally high exchange deficit deteriorated by almost USD 2.4 billion, reaching the level of over USD 8.2 billion. It accounted for over 57% of the total deficit in Polish foreign trade.

The general results of exchange with these markets are mostly determined by turnover with several countries, such as:

- China (13% of total exports and over 32% of imports from markets of this group);
- Turkey (respectively 21% and almost 9%);
- Romania (respectively: 17% and 3%);
- Kazakhstan (respectively: 3.6% and 3.5%);
- Republic of Korea (respectively: 1.7% and 8%);
- Brazil (respectively: 2.6% and 4.2%);
- Taiwan (respectively: 1.6% and 6.2%);

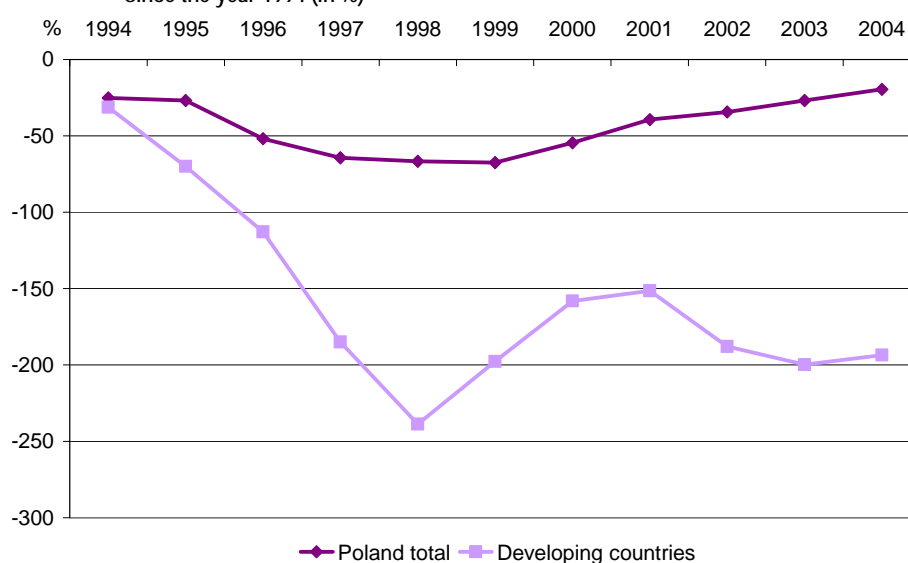
As concerns trade with China, exports doubled, but this growth had no significant influence on reducing the exchange deficit. The scale of imports is in this case so big (almost USD 4.1 billion), that its growth, although much slower than the growth of exports, caused a further deterioration of the deficit by almost USD 0.9 billion. The highest growth in imports from China in absolute terms was recorded in the following sections:

- XVI – machinery and devices (from ca USD 1.2 billion to USD 1.7 billion);
- XI – textile materials and products (by USD 160 million to the level of nearly USD 560 million);
- XV – metal products (by USD 100 million to the level of USD 279 million);
- XX – various products (by USD 100 million to the level of over USD 340 million).

The high and systematically growing scale of imbalance in the exchange with China, similarly as with several other Asian countries (e.g. Republic of Korea, Taiwan, Thailand) in a large degree results from the high price competitiveness of those products on the Polish market, especially electric, electronic and textile products. In the case of other countries, e.g. Kazakhstan and Brazil a significant role is played by imports of raw materials (e.g. cotton and iron ores). The high import absorption from these markets is not accompanied by a simultaneous ability of Polish exporters to effectively compete on those markets with exporters from highly developed countries, both as regards the technological level and the financial area of supporting exports, particularly in the sphere of export credits. The development of the financial infrastructure for supporting exports has in the case of these markets a greater significance than in the case of highly developed markets, particularly EU markets.

The earlier mentioned problems of exchange with these countries, and especially its high level of deficit, are therefore mostly of a structural character and will be difficult to solve in a short perspective.

Chart 7. Changes in the index of foreign trade turnover balance with developing countries since the year 1994 (in %)



Source: Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the Central Statistical Office (CSO).

The low level of exports directed to these markets is incommensurable to the constantly increasing imports from that direction. As a result, the level of turnover balance with those countries measured as the relation of the exchange balance to exports unfavourably differs from the average for total turnover.

This is illustrated by the Chart 7.

Synthetic balance of the impact of trade turnover changes on the exchange balance in 2004 is illustrated by Table 9.

Table 9. Changes in the geographical structure of commodity turnover in the years 2003–2004 and their impact on the exchange balance

| Specification | 2003 | | | 2004 | | | Changes 2004/ 03 | | |
|---------------------------|----------|----------|-----------|----------|----------|-----------|-------------------------------|--------------------------------|----------------------------|
| | Exports | Imports | Balance | Exports | Imports | Balance | Exports growth(+) drop (-) | Imports growth (-) drop (+) | Balance of turnover change |
| Poland, total | 53,576.9 | 68,003.9 | -14,427.0 | 73,781.2 | 88,156.2 | -14,375.0 | 20,204.3 | -20,152.3 | 52.0 |
| previous year = 100 | 130.6 | 123.4 | | 137.7 | 129.6 | | | | |
| Developed countries | 40,082.5 | 47,137.5 | -7,055.0 | 62,851.1 | 66,890.4 | -4,039.3 | 22,768.6 | -19,752.9 | 3,015.7 |
| previous year = 100 | 130.2 | 121.8 | | 158.8 | 141.9 | | | | |
| share in % | 74.8 | 69.3 | | 85.2 | 75.9 | | | | |
| of which: | | | | | | | | | |
| European Union 25 | 43,282.0 | 47,023.3 | -3,741.3 | 58,366.9 | 60,110.4 | -1,743.5 | 15,084.9 | -13,087.1 | 1,997.8 |
| previous year = 100 | 131.5 | 123.1 | | 134.9 | 126.4 | | | | |
| share in % | 80.8 | 69.1 | | 79.1 | 68.2 | | | | |
| European Union 15 | 36,842.6 | 41,573.9 | -4,731.3 | 49,657.5 | 52,533.3 | -2,875.8 | 12,814.9 | -10,959.4 | 1,855.5 |
| previous year = 100 | 130.7 | 122.3 | | 134.8 | 126.4 | | | | |
| share in % | 85.1 | 88.4 | | 85.1 | 87.4 | | | | |
| European Union 10 | 6,439.4 | 5,449.4 | 990.0 | 8,709.4 | 7,577.1 | 1,132.3 | 2,270.0 | -2,127.7 | 142.3 |
| previous year = 100 | 136.3 | 129.4 | | 135.3 | 139.0 | | | | |
| share in % | 14.9 | 11.6 | | 14.9 | 12.6 | | | | |
| EFTA | 1,568.5 | 2,029.0 | -460.5 | 1,871.3 | 2,310.5 | -439.2 | 302.8 | -281.5 | 21.3 |
| previous year = 100 | 142.7 | 139.2 | | 119.3 | 113.9 | | | | |
| share in % | 2.9 | 3.0 | | 2.5 | 2.6 | | | | |
| Other developed countries | 1,671.5 | 3,534.7 | -1,863.2 | 2,612.9 | 4,469.4 | -1,856.5 | 941.4 | -934.7 | 6.7 |
| previous year = 100 | 111.5 | 108.7 | | 156.3 | 126.4 | | | | |
| share in % | 3.1 | 5.2 | | 3.5 | 5.1 | | | | |

| | | | | | | | | | |
|-------------------------|---------|---------|----------|---------|----------|----------|---------|----------|----------|
| CEFTA* | 757.7 | 354.1 | 403.6 | 1,137.6 | 598.7 | 538.9 | 379.9 | -244.6 | 135.3 |
| previous year = 100 | 156.4 | 150.7 | | 150.1 | 169.1 | | | | |
| share in % | 1.4 | 0.5 | | 1.5 | 0.7 | | | | |
| CIS | 3,729.5 | 6,580.8 | -2,851.3 | 5,789.3 | 8,804.6 | -3,015.3 | 2,059.8 | -2,223.8 | -164.0 |
| previous year = 100 | 126.9 | 124.3 | | 155.2 | 133.8 | | | | |
| share in % | 7.0 | 9.7 | | 7.8 | 10.0 | | | | |
| Russia | 1,512.3 | 5,214.7 | -3,702.4 | 2,842.7 | 6,390.6 | -3,547.9 | 1,330.4 | -1,175.9 | 154.5 |
| share in = 100 | 113.6 | 118.6 | | 188.0 | 122.5 | | | | |
| share in the group in % | 40.5 | 79.2 | | 49.1 | 72.6 | | | | |
| Developing countries | 2,923.4 | 8,762.6 | -5,839.2 | 4,263.7 | 12,515.9 | -8,252.2 | 1,340.3 | -3,753.3 | -2,413.0 |
| previous year = 100 | 120.6 | 125.6 | | 145.8 | 142.8 | | | | |
| share in % | 5.5 | 12.9 | | 5.8 | 14.2 | | | | |

Source: Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the Central Statistical Office (CSO).

Chapter 5

COMMODITY STRUCTURE OF FOREIGN TRADE TURNOVER

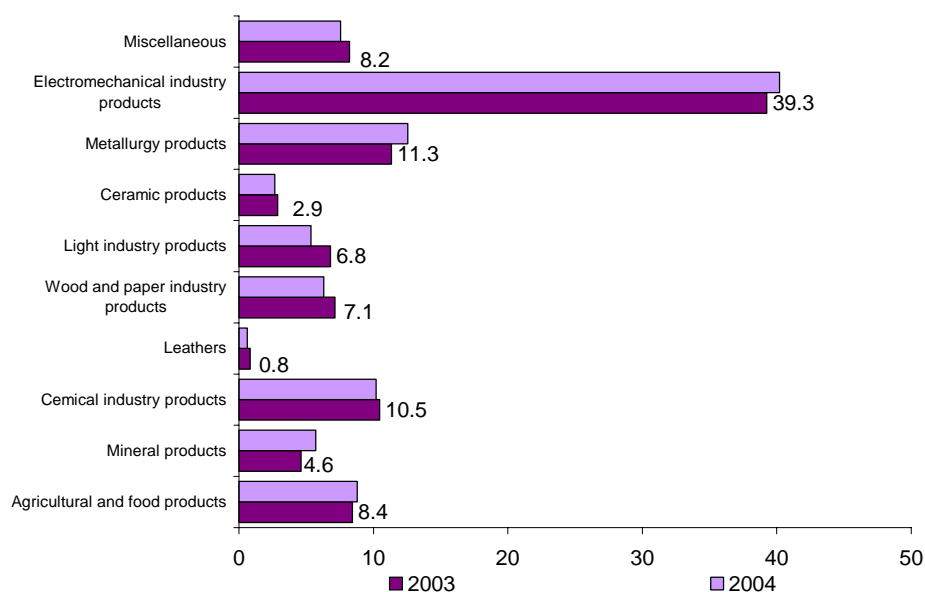
In the year 2004 the commodity structure of foreign trade turnover did not undergo major changes.

5.1. Changes in the commodity structure of exports

In exports the share of the relatively highly processed commodities increased (products of the electromechanical industry). Simultaneously the growth in the share of some less processed products, i.e. products of the metallurgical and mineral industry, was recorded.

Commodity structure changes are illustrated by Chart 8.

Chart 8. Changes in the commodity structure of exports in the year 2004 (in %)



Source: Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the Central Statistical Office.

For many years *products of the electromechanical industry* have accounted for the major commodity group in Polish exports. In the year 2004 their sales increased in a rate exceeding the growth rate of total exports (growth by 41% as compared to the respective period of the previous year, i.e. by USD 8.6 billion) to the level of almost USD 30 billion. Over 3/4 of this growth was made in the turnover with the European Union, to which products of the electromechanical industry worth USD 23.8 billion were sold. It should be noticed that the growth of exports in this group of products within the commodity exchange with Russia amounted to nearly 150% as compared to the year 2003 and was the highest in section XVI – mechanical machines and equipment. In the year 2004 exports of electromechanical products to this country amounted to almost USD 730 million.

The next major commodity group was *metallurgical products*. The increased global demand for steel and metallurgical products determined the dynamic fastest in Europe growth in the production of steel in Poland (estimated growth by 20% in the year 2004 as compared to the year 2003) and an even more dynamic export growth of metallurgical products (by 52%). In the year 2004 products of this group worth USD 7.3 billion were directed to the European Union market, of which almost a half to Germany.

Like the previous commodity group an evident export revival was recorded in exports of *agricultural and food products*. Their sales in the year 2004 increased by 43.5% (i.e. by USD 2 billion) to the level of USD 6.5 billion. It was mainly the effect of an intensive growth of the exports of livestock and food articles to the markets of European countries (growth by USD 1.4 billion as compared to the year 2003). A considerable growth of exports of these products was also recorded in the exchange with Russia (by almost 40% to the level of almost USD 501 million in the year 2004).

5.2. Changes in the commodity structure of imports

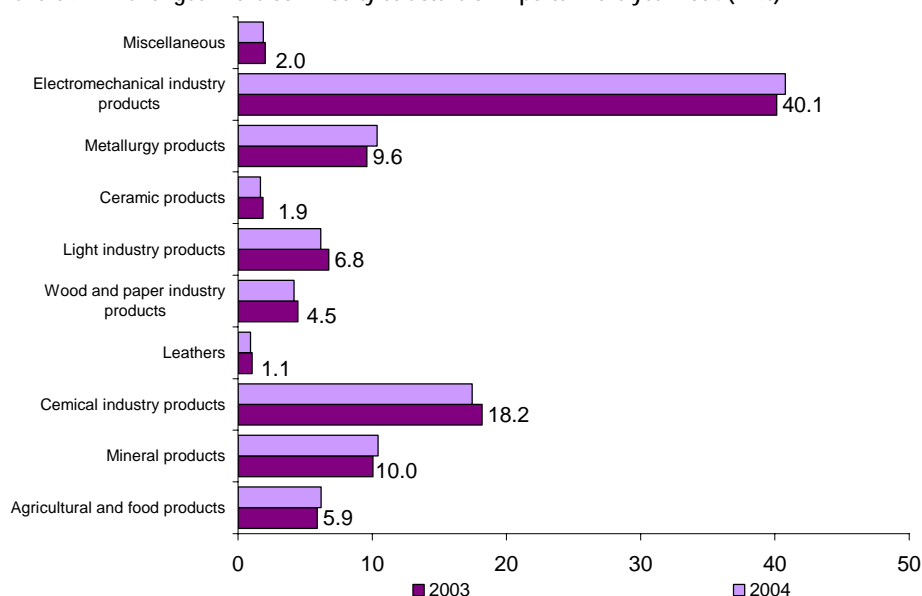
Changes in the commodity structure recorded in the year 2004 *on the side of imports* had on general the same direction as those in exports (increased share of electromechanical industry products, metallurgical, mineral as well as agricultural and food products).

The total growth of imports by USD 20.2 billion in the year 2004 (to the level of USD 88.2 billion) was in more than 40% the effect of increasing the purchase of electromechanical products.

A major share was also played by:

- chemical industry products – growth by USD 3,028 mln
- metallurgical products – growth by USD 2,613 mln
- mineral products – growth by USD 2,365 mln

Chart 9. Changes in the commodity structure of imports in the year 2004 (in %)



Source: Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the Central Statistical Office.

In the year 2004, the foreign trade turnover balance was determined by the changes of turnover in the following commodity groups:

- exceeding export growth in relation to imports was observed in groups as follows:
 - various products (section XX), mainly furniture, by USD 1.2 billion, which influenced the further growth of the trade surplus in this commodity item by almost USD 900 million (to the level of over USD 3.9 billion);
 - means of transport (section XVII), where exports grew by USD 4.4 billion, to the level of USD 12.8 billion and despite the considerable

growth of imports in this group, determined the transition of the deficit (USD 536 million in the year 2003) into a surplus amounting to over USD 700 million;

- **metals and their products** (section XV), where due to an intensive export growth (by 52%, i.e. by USD 3.2 billion), despite the simultaneous considerable growth of imports (by 40%), the negative balance (USD 446 million) transformed into a surplus amounting to USD 125 million;
 - **livestock and animal products** (section I), where export growth by 56% (by USD 785 million) lead to an increase in the surplus of exchange by USD 375 million;
 - **ready made food articles** (section IV), where export growth by USD 846 million, at a lower growth on the side of imports brought a better result of the positive turnover balance to the level of USD 0.5 billion.
- exceeding import growth in relation to exports was observed in groups as follows:
- **machines and equipment** (section XVI), where the high growth in imports (by USD 5.1 billion), at a lower growth in exports, determined the deterioration of deficit by USD 1.1 billion in the year 2004;
 - **chemical industry products** (sections VI and VII), where due to the major growth in imports (by USD 3 billion), at a by 1/3 lower growth in exports, the deficit deteriorated by USD 1.1 billion;
 - **mineral products** (section V), where despite the considerable growth in exports, the faster growth in imports by USD 2.4 billion, resulted in the deterioration of the negative balance by USD 0.6 billion to the level of – USD 5 billion;
 - **textile materials and products** (section XI), where the deficit deteriorated by USD 474 million to USD 1.4 million. This tendency is the result of a systematic driving out of domestic production, including also upgrading processing, particularly in the clothing branch, by the relatively cheaper import from Asian countries competitive as regards the costs of labour force.

Table 10. Changes in the commodity structure of trade turnover in the years 2003–2004 and their impact on the exchange balance

| Sections /groups | 2003 | | | 2004 | | | Index 2003 = 100 | |
|---------------------------------|----------|----------|-----------|----------|----------|-----------|------------------|---------|
| | exports | imports | balance | exports | imports | balance | exports | imports |
| Industrial products, total | 49,058.3 | 63,991.1 | -14,890.9 | 67,297.5 | 82,703.1 | -15,405.6 | 137.2 | 129.2 |
| mineral products | 2,471.9 | 6,833.7 | -4,361.8 | 4,228.3 | 9,198.8 | -4,970.5 | 171.1 | 134.6 |
| chemical industry products | 5,607.8 | 12,358.0 | -6,750.2 | 7,532.5 | 15,385.8 | -7,853.3 | 134.3 | 124.5 |
| leather | 445.1 | 715.7 | -270.6 | 452.4 | 808.9 | -356.5 | 101.6 | 113.0 |
| wood and pulp industry products | 3,830.6 | 3,037.0 | 793.6 | 4,666.0 | 3,681.6 | 984.4 | 121.8 | 121.2 |
| light industry products | 3,646.8 | 4,603.1 | -956.3 | 3,955.4 | 5,438.8 | -1,483.4 | 108.5 | 118.2 |
| ceramics | 1,544.7 | 1,259.5 | 285.2 | 1,965.5 | 1,463.4 | 502.1 | 127.2 | 116.2 |
| metallurgical products | 6,077.4 | 6,523.4 | -446.0 | 9,261.5 | 9,136.3 | 125.2 | 152.4 | 140.1 |
| electromechanical products | 21,035.0 | 27,288.1 | -6,253.1 | 29,656.5 | 35,939.6 | -6,283.1 | 141.0 | 131.7 |
| various | 4,399.0 | 1,372.6 | 3,026.4 | 5,579.4 | 1,649.9 | 3,929.5 | 126.8 | 120.2 |

Source: Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the Central Statistical Office (CSO).

Chapter 6

IMPLICATIONS OF POLAND'S ACCESSION TO THE EUROPEAN UNION

The analysed merely several-month period after the accession does not allow evaluating the impact of this event on Polish trade. Nevertheless, it seems legitimate to make at least a simplified comparison between the trade results achieved in the last months after the accession and those reached in the period of the first 4 months of the year 2004. The evaluation considers not so much the growth rate of turnover in the compared periods, due to the distorting influence of the reference base, but most of all the absolute level of turnover in particular months. The last year's value and dynamics of turnover before and after the accession to the EU is presented in Table 11.

Table 11. Poland's foreign trade turnover in the year 2004 in a breakdown by two periods: before and after the accession (in million USD)

| Group of countries | I–IV 2004 | | | V–XII 2004 | | | Index | | Index | |
|----------------------|-----------|---------|---------|------------|---------|---------|-----------------|---------|------------------|---------|
| | exports | imports | balance | exports | imports | balance | I–IV 2003 = 100 | | V–XII 2003 = 100 | |
| | | | | | | | exports | imports | exports | imports |
| POLAND | 22,911 | 28,426 | -5,515 | 50,870 | 59,730 | -8,860 | 144.3 | 139.7 | 134.9 | 125.3 |
| EU-25, of which: | 18,738 | 19,760 | -1,022 | 39,629 | 40,350 | -722 | 144.1 | 141.5 | 130.9 | 122.1 |
| Germany | 7,273 | 6,837 | 436 | 14,821 | 14,644 | 217 | 136.4 | 138.6 | 124.4 | 125.7 |
| CIS, of which: | 1,385 | 2,566 | -1,181 | 4,404 | 6,239 | -1,834 | 133.4 | 118.5 | 163.6 | 141.3 |
| Russia | 613 | 1,893 | -1,280 | 2,230 | 4,498 | -2,268 | 127.4 | 106.8 | 216.3 | 130.6 |
| Developing countries | 1,209 | 3,997 | -2,788 | 3,055 | 8,519 | -5,464 | 138.3 | 153.2 | 149.1 | 138.4 |

Source: Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the Central Statistical Office.

The comparison of average monthly turnovers in the period before and after the accession in their absolute dimension shows a considerable growth of turnover in the post-accession period, both as regards the general results and the results achieved with markets of the enlarged European Community. This is illustrated in Table 11a and Chart 10.

Table 11a. Monthly average foreign trade turnover

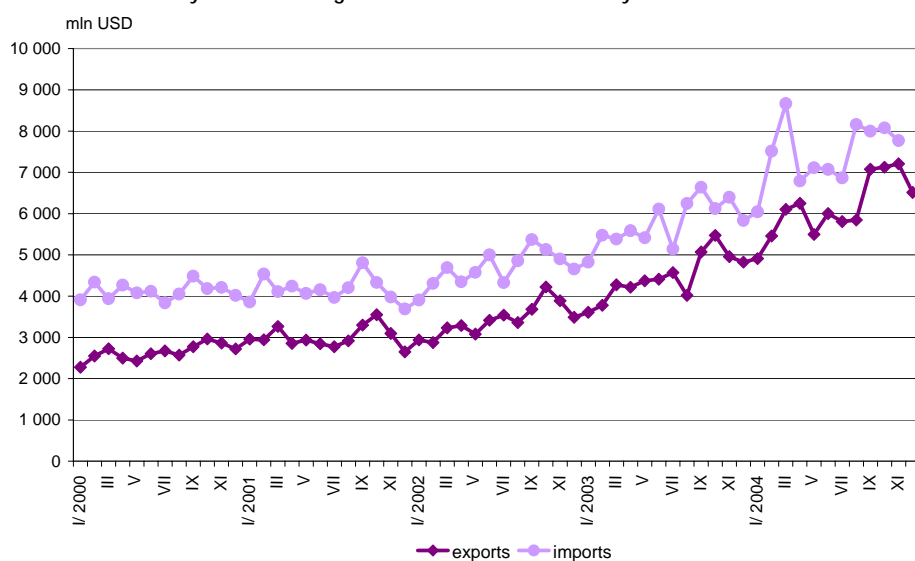
| Group of countries | I–IV 2004 | | | | V–XII 2004 | | | |
|----------------------|-----------|---------|-----------------|---------|------------|---------|-----------------|---------|
| | exports | imports | monthly average | | exports | imports | monthly average | |
| | | | exports | imports | | | exports | imports |
| POLAND | 22,911 | 28,426 | 5,728 | 7,107 | 50,870 | 59,730 | 6,359 | 7,466 |
| EU-25, of which: | 18,738 | 19,760 | 4,684 | 7,106 | 39,629 | 40,350 | 6,359 | 5,044 |
| Germany | 7,273 | 6,837 | 1,818 | 1,709 | 14,821 | 14,644 | 1,853 | 1,831 |
| CIS, of which: | 1,385 | 2,566 | 346 | 7,106 | 4,404 | 6,239 | 6,359 | 780 |
| Russia | 613 | 1,893 | 153 | 473 | 2,230 | 4,498 | 279 | 562 |
| Developing countries | 1,209 | 3,997 | 302 | 999 | 3,055 | 8,519 | 382 | 1,065 |

Source: Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the Central Statistical Office.

The average monthly level of exports after the accession (USD 6.4 billion) was by 11% higher than before the accession whereas on the side of imports – by 5% higher (USD 7.5 billion on average in a month).

This is illustrated by Chart 10.

Chart 10. Monthly levels of foreign trade turnover since January 2000



Source: Data of the Central Statistical Office.

Although in May, that is just after the accession, a certain decline was observed in total turnover, then since June an evident growing tendency was recorded, both in exports and imports. However, this tendency was largely determined by the considerable revival of turnover with Eastern markets, especially with Russia.

In the period after May 1st, 2004, foreign trade turnover with the European Union underwent certain intensification. However, it was less visible than in the case of total turnover. The average monthly level of exports to the EU showed to be by USD 269 million higher than in the period since January till April 2004. As concerns imports this growth turned out to be higher by USD 104 million.

A growth in exports (jointly by USD 370 million– monthly average) took place in the case of 18 among 24 countries of the enlarged Community, of which mainly to:

- Great Britain – by USD 75 mln, i.e. by 27%;
- Czech Rep. – by USD 66 mln, i.e. by 30%;
- Austria – by USD 42 mln, i.e. by 45%.

Simultaneously a drop in exports, particularly to the following markets was recorded:

- Lithuania – by USD 42 mln, i.e. by 32%, and
- Denmark – by USD 30 mln, i.e. by 19%.

The considerable drop of exports to Lithuania, after the accession to the EU may be linked with much restricted control of commodity flow between this country and Russia. It is estimated that before accession a major stream of Polish exports sold directly to Lithuania was in final delivered to the Russian market. By May 1st, 2004, the facilitations in trade turnover and simplified procedures, applied by Baltic Sea states in trade with Russia, inclined Polish exporters to deliver through these countries the exports to Russia.

The relatively small growth of the average monthly level of imports in the period after accession was determined by the following:

1. growth (jointly by USD 256 million) in the trade turnover with 12 countries of the EU25, of which particularly with Germany (by USD 121 million) and

2. simultaneous drop with the remaining EU countries (jointly by USD 152 million), including the highest in the exchange with:

- France – by USD 36 mln, i.e. by 7%;
- Sweden – by USD 27 mln, i.e. by 12%;
- Denmark – by USD 26 mln, i.e. by 20%.

Table 12. Exports of commodities to EU countries in the years 2003 and 2004

| | 2003 | | | I–IV 2004 | | | V–XII 2004 | | |
|---------------------|------------|---------------|---------------|------------|---------------|---------------|------------|---------------|---------------|
| | in mln USD | monthly aver. | dynamics in % | in mln USD | monthly aver. | dynamics in % | in mln USD | monthly aver. | dynamics in % |
| POLAND total | 53,576.9 | 4,464.7 | 130.6 | 22,911.0 | 5,727.8 | 144.3 | 50,870.2 | 6,358.8 | 134.9 |
| European Union | 43,282.0 | 3,606.8 | 131.5 | 18,738.4 | 4,684.6 | 158.0 | 39,628.5 | 4,953.6 | 130.9 |
| 1 Germany | 17,281.0 | 1,440.1 | 130.4 | 7,272.5 | 1,818.1 | 136.4 | 14,861.5 | 1,857.7 | 124.4 |
| 2 Italy | 3,077.1 | 256.4 | 136.4 | 1,507.3 | 376.8 | 175.9 | 3,000.5 | 375.1 | 135.1 |
| 3 France | 3,266.6 | 272.2 | 132.1 | 1,522.4 | 380.6 | 151.6 | 2,931.9 | 366.5 | 129.6 |
| 4 Great Britain | 2,698.7 | 224.9 | 126.9 | 1,128.0 | 282.0 | 148.7 | 2,858.5 | 357.3 | 147.3 |
| 5 Czech Republic | 2,171.8 | 181.0 | 132.4 | 886.1 | 221.5 | 144.5 | 2,302.4 | 287.8 | 147.7 |
| 6 Netherlands | 2,406.7 | 200.6 | 130.7 | 975.1 | 243.8 | 127.1 | 2,191.1 | 273.9 | 133.6 |
| 7 Sweden | 1,932.9 | 161.1 | 145.5 | 858.0 | 214.5 | 141.4 | 1,719.3 | 214.9 | 129.6 |
| 8 Belgium | 1,729.6 | 144.1 | 130.1 | 781.3 | 195.3 | 151.6 | 1,577.0 | 197.1 | 129.9 |
| 9 Hungary | 1,297.0 | 107.8 | 139.6 | 544.5 | 136.1 | 158.0 | 1,349.3 | 168.7 | 142.1 |
| 10 Spain | 1,135.3 | 94.6 | 156.8 | 572.4 | 143.1 | 189.8 | 1,232.6 | 154.1 | 147.8 |
| 11 Austria | 910.7 | 75.9 | 121.1 | 372.7 | 93.2 | 132.1 | 1,083.1 | 135.4 | 172.3 |
| 12 Denmark | 1,268.0 | 105.7 | 111.8 | 629.5 | 157.4 | 149.1 | 1,019.5 | 127.4 | 120.5 |
| 13 Slovakia | 872.9 | 72.7 | 152.3 | 382.0 | 95.5 | 160.7 | 935.8 | 117.0 | 147.3 |
| 14 Lithuania | 1,326.6 | 110.5 | 142.2 | 529.8 | 132.4 | 141.2 | 720.3 | 90.0 | 75.7 |
| 15 Finland | 356.4 | 29.7 | 125.6 | 140.3 | 35.1 | 138.8 | 444.3 | 55.5 | 174.0 |
| 16 Portugal | 418.8 | 34.9 | 115.0 | 149.1 | 37.3 | 110.0 | 319.1 | 39.9 | 112.7 |
| 17 Latvia | 353.7 | 29.5 | 124.9 | 138.7 | 34.7 | 146.0 | 302.5 | 37.8 | 116.9 |
| 18 Estonia | 172.4 | 14.4 | 141.7 | 66.7 | 16.7 | 113.1 | 192.2 | 24.0 | 169.4 |
| 19 Slovenia | 181.2 | 15.1 | 130.0 | 67.4 | 16.8 | 117.8 | 176.6 | 22.1 | 142.4 |
| 20 Greece | 160.4 | 13.4 | 107.1 | 65.4 | 16.4 | 142.7 | 149.6 | 18.7 | 130.6 |
| 21 Ireland | 149.3 | 12.4 | 119.9 | 59.5 | 14.9 | 112.4 | 158.0 | 19.7 | 164.0 |
| 22 Luxembourg | 50.9 | 4.2 | 114.3 | 18.2 | 4.5 | 105.7 | 59.3 | 7.4 | 176.1 |
| 23 Cyprus | 56.9 | 4.7 | 58.4 | 44.5 | 11.1 | 209.4 | 23.2 | 2.9 | 65.2 |
| 24 Malta | 9.9 | 0.8 | 92.3 | 27.2 | 6.8 | 3,002.4 | 20.2 | 2.5 | 224.2 |

Source: Calculations of the Economic Analyses and Forecast Department, Ministry of Economic Affairs and Labour, based on data of the Central Statistical Office.

Table 13. Imports of commodities to EU countries in the year 2003 and 2004

| | 2003 | | | I–IV 2004 | | | V–XII 2004 | | |
|------------------|------------|---------------|---------------|------------|---------------|---------------|------------|---------------|---------------|
| | in mln USD | monthly aver. | dynamics in % | in mln USD | monthly aver. | dynamics in % | in mln USD | monthly aver. | dynamics in % |
| POLAND, total | 68,003.9 | 5,667.0 | 123.4 | 28,425.8 | 7,106.5 | 139.7 | 59,730.6 | 7,466.3 | 125.3 |
| European Union | 47,023.3 | 3,918.6 | 123.1 | 19,759.8 | 4,939.9 | 141.5 | 40,350.6 | 5,043.8 | 122.1 |
| 1 Germany | 16,584.4 | 1,382.0 | 123.7 | 6,836.6 | 1,709.1 | 138.6 | 14,644.6 | 1,830.6 | 125.7 |
| 2 Italy | 5,789.0 | 482.4 | 125.5 | 2,371.1 | 592.8 | 143.9 | 4,563.2 | 570.4 | 110.2 |
| 3 France | 4,803.2 | 400.3 | 125.1 | 2,069.4 | 517.4 | 141.3 | 3,854.7 | 481.8 | 115.4 |
| 4 Czech Republic | 2,332.0 | 194.3 | 130.4 | 1,033.7 | 258.4 | 159.0 | 2,154.4 | 269.3 | 128.1 |
| 5 Netherlands | 2,302.2 | 191.8 | 119.0 | 940.0 | 235.0 | 139.0 | 2,132.3 | 266.5 | 131.1 |
| 6 Great Britain | 2,532.5 | 211.0 | 118.2 | 1,000.8 | 250.2 | 132.4 | 1,921.6 | 240.2 | 108.2 |
| 7 Spain | 1,771.5 | 147.6 | 121.4 | 795.5 | 198.9 | 138.5 | 1,556.2 | 194.5 | 130.0 |
| 8 Sweden | 1,778.3 | 148.2 | 122.0 | 865.4 | 216.4 | 159.6 | 1,515.9 | 189.5 | 122.6 |
| 9 Belgium | 1,781.4 | 148.4 | 116.5 | 732.2 | 183.0 | 133.0 | 1,506.8 | 188.4 | 122.4 |
| 10 Hungary | 1,216.8 | 101.4 | 131.2 | 539.2 | 134.8 | 146.3 | 1,124.3 | 140.5 | 132.5 |
| 11 Austria | 1,319.6 | 110.0 | 124.9 | 496.7 | 124.2 | 127.1 | 1,077.9 | 134.7 | 116.0 |
| 12 Slovakia | 1,044.4 | 87.0 | 128.7 | 432.2 | 108.1 | 144.2 | 1,021.2 | 127.6 | 137.1 |
| 13 Denmark | 1,005.5 | 83.8 | 105.3 | 513.0 | 128.3 | 173.6 | 819.8 | 102.5 | 115.5 |
| 14 Finland | 1,024.8 | 85.4 | 119.6 | 368.4 | 92.1 | 122.5 | 864.0 | 108.0 | 119.3 |
| 15 Lithuania | 304.0 | 25.3 | 158.8 | 142.5 | 35.6 | 154.3 | 333.0 | 41.6 | 157.4 |
| 16 Ireland | 364.8 | 30.4 | 113.0 | 130.8 | 32.7 | 122.0 | 330.4 | 41.3 | 128.3 |
| 17 Slovenia | 376.5 | 31.4 | 122.2 | 164.5 | 41.1 | 150.0 | 294.6 | 36.8 | 110.4 |
| 18 Portugal | 252.5 | 21.0 | 124.7 | 100.0 | 25.0 | 139.0 | 184.7 | 23.1 | 102.3 |
| 19 Greece | 156.5 | 13.0 | 105.3 | 53.1 | 13.3 | 103.3 | 147.3 | 18.4 | 140.2 |
| 20 Latvia | 44.3 | 3.7 | 117.6 | 19.8 | 4.9 | 152.2 | 158.3 | 19.8 | 505.7 |
| 21 Luxembourg | 107.7 | 9.0 | 140.3 | 66.1 | 16.5 | 218.9 | 74.6 | 9.3 | 96.3 |
| 22 Estonia | 60.4 | 5.0 | 154.1 | 27.9 | 7.0 | 178.0 | 52.9 | 6.6 | 118.3 |
| 23 Malta | 28.8 | 2.4 | 210.4 | 25.8 | 6.4 | 226.5 | 14.2 | 1.8 | 81.6 |
| 24 Cyprus | 42.2 | 3.5 | 45.0 | 35.1 | 8.8 | 287.6 | 3.5 | 0.4 | 11.6 |

Source: Calculations of the Economic Analyses and Forecast Department, Ministry of Economic Affairs and Labour, based on data of the Central Statistical Office.

A major growth in the average monthly *level of exports* to the EU (jointly by USD 440 million) was „worked out” mainly in the following commodity groups:

- agricultural and food articles (increase by USD 157 million monthly average as compared to the period January-April 2004),

- mineral products, of which mainly coal and coke (increase by USD 112 million),
- metallurgical products (by USD 91 million).

This growth was almost in 40% reduced by the worse situation in 8 sections. The deepest (by USD 85 million) drop of the average monthly level of sales was recorded in the exports of vehicles and ships (section XVII).

Table 14. Exports of commodities to EU countries in a breakdown by sections in the years 2003 and 2004

| No | Code | Section | 2003 | | | I–IV 2004 | | | V–XII 2004 | | |
|----|--------------|--|---------|---------------|---------------|-----------|---------------|---------------|------------|---------------|---------------|
| | | | in USD | monthly aver. | dynamics in % | in USD | monthly aver. | dynamics in % | in USD | monthly aver. | dynamics in % |
| 1 | Section I | Livestock; animal products | 885.0 | 73.8 | 161.9 | 330.9 | 82.7 | 148.7 | 1,305.0 | 163,1 | 197,0 |
| 2 | Section II | Vegetable products | 873.0 | 72.7 | 135.9 | 306.2 | 76.6 | 137.5 | 802.8 | 100,3 | 123,4 |
| 3 | Section III | Animal or vegetable oils and fats and their products | 15.6 | 1.3 | 136.5 | 5.1 | 1.3 | 92.7 | 37.6 | 4,7 | 371,8 |
| 4 | Section IV | Prepared foodstuffs; non-alcoholic beverages, alcohol and vinegar; tobacco | 1,204.7 | 100.4 | 131.6 | 497.8 | 124.5 | 143.7 | 1,390.8 | 173,8 | 162,1 |
| 5 | Section V | Mineral products | 2,207.1 | 183.9 | 112.5 | 930.5 | 232.6 | 126.0 | 2,759.2 | 344,9 | 187,9 |
| 6 | Section VI | Chemical industry products and related | 1,897.7 | 158.1 | 135.5 | 738.6 | 184.6 | 126.6 | 1,598.0 | 199,8 | 121,6 |
| 7 | Section VII | Plastics and rubber and articles thereof | 2,303.9 | 192.0 | 138.7 | 957.9 | 239.5 | 125.5 | 1,988.0 | 248,5 | 123,9 |
| 8 | Section VIII | Skins and hides, leather, fur skins and articles thereof; | 422.2 | 35.2 | 133.0 | 169.3 | 42.3 | 119.0 | 253.3 | 31,7 | 88,1 |
| 9 | Section IX | Wood and articles of wood; charcoal; cork and articles of cork; | 1,524.6 | 127.0 | 136.5 | 670.9 | 167.7 | 132.3 | 1,223.3 | 152,9 | 120,2 |
| 10 | Section X | Pulp of wood or of other cellulose material.; paper | 1,471.6 | 122.6 | 130.7 | 557.6 | 139.4 | 119.0 | 1,114.2 | 139,3 | 111,1 |
| 11 | Section XI | Textiles and textile articles | 2,980.7 | 248.4 | 116.7 | 1,146.7 | 286.7 | 115.8 | 2,051.7 | 256,5 | 103,1 |
| 12 | Section XII | Footwear, headgear, umbrellas, walking sticks, | 249.7 | 20.8 | 123.6 | 96.5 | 24.1 | 113.0 | 145.7 | 18,2 | 88,7 |
| 13 | Section XIII | Articles of stone, gypsum, cement, asbestos, mica and similar mater. | 940.6 | 78.4 | 137.9 | 360.8 | 90.2 | 126.3 | 756.6 | 94,6 | 115,5 |
| 14 | Section XIV | Natural and cultured pearls, gem and semiprecious stones | 183.2 | 15.3 | 96.0 | 91.0 | 22.7 | 175.0 | 154.4 | 19,3 | 117,7 |

| | | | | | | | | | | | |
|----------|---------------|--|----------|---------|-------|----------|---------|-------|----------|---------|-------|
| 15 | Section XV | Base metals and articles thereof | 5,013.0 | 417.7 | 133.2 | 2,196.6 | 549.2 | 143.9 | 5,123.2 | 640,4 | 146,9 |
| 16 | Section XVI | Machinery and mechanical devices; electrical equipment; spare parts; | 10,438.7 | 869.9 | 136.7 | 4,301.5 | 1,075.4 | 141.7 | 8,991.4 | 1 123,9 | 121,5 |
| 17 | Section XVII | Vehicles, aircrafts, vessels and equipment | 6,573.6 | 547.8 | 126.5 | 3,572.5 | 893.1 | 197.0 | 6,465.0 | 808,1 | 135,8 |
| 18 | Section XVIII | Optical, photographic, measuring instruments and thereof | 335.7 | 28.0 | 174.8 | 160.3 | 40.1 | 138.5 | 331.8 | 41,5 | 138,3 |
| 19 | Section XIX | Weapons and ammunition; parts and accessories | 0.9 | 0.1 | 60.2 | 0.3 | 0.1 | 101.1 | 1.3 | 0,2 | 213,7 |
| 20 | Section XX | Miscellaneous manufactured articles | 3,750.9 | 312.6 | 134.9 | 1,644.0 | 411.0 | 138.5 | 3,123.8 | 390,5 | 121,9 |
| 21 | Section XXI | Works of art, collector's items and antiques | 5.8 | 0.5 | 93.5 | 1.9 | 0.5 | 110.8 | 9.2 | 1,1 | 225,3 |
| TOTAL EU | | | 43,278.1 | 3,606.5 | 131.5 | 18,737.0 | 4,684.3 | 144.1 | 39,629.9 | 4,953.7 | 130,9 |

Source: Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the Central Statistical Office.

Table 15. Imports of commodities to EU countries in a breakdown by sections in the years 2003 and 2004

| No | Code | Section | 2003 | | | I–IV 2004 | | | V–XII 2004 | | |
|----|--------------|--|---------|---------------|---------------|-----------|---------------|---------------|------------|---------------|---------------|
| | | | in USD | monthly aver. | dynamics in % | in USD | monthly aver. | dynamics in % | in USD | monthly aver. | dynamics in % |
| 1 | Section I | Livestock; animal products | 259.9 | 21.7 | 109.2 | 90.8 | 22.7 | 111.9 | 485.1 | 60,6 | 271,2 |
| 2 | Section II | Vegetable products | 853.7 | 71.1 | 113.6 | 386.2 | 96.6 | 124.8 | 743.4 | 92,9 | 136,6 |
| 3 | Section III | Animal or vegetable oils and fats and their products | 194.6 | 16.2 | 121.6 | 63.5 | 15.9 | 109.4 | 179.9 | 22,5 | 131,8 |
| 4 | Section IV | Prepared foodstuffs; non-alcoholic beverages, alcohol and vinegar; tobacco | 1,154.7 | 96.2 | 107.5 | 404.2 | 101.1 | 120.9 | 1,066.7 | 133,3 | 130,0 |
| 5 | Section V | Mineral products | 1,095.6 | 91.3 | 117.9 | 397.5 | 99.4 | 115.1 | 1,301.9 | 162,7 | 173,5 |
| 6 | Section VI | Chemical industry products and related | 5,760.5 | 480.0 | 120.8 | 2,405.1 | 601.3 | 131.1 | 4,560.3 | 570,0 | 116,1 |
| 7 | Section VII | Plastics and rubber and articles thereof | 4,457.1 | 371.4 | 130.4 | 1,852.3 | 463.1 | 122.5 | 3,812.3 | 476,5 | 119,5 |
| 8 | Section VIII | Skins and hides, leather, fur skins and articles thereof; | 541.5 | 45.1 | 121.3 | 205.7 | 51.4 | 126.3 | 419.0 | 52,4 | 112,2 |
| 9 | Section IX | Wood and articles of wood; charcoal; cork and articles of cork; | 462.3 | 38.5 | 123.3 | 205.6 | 51.4 | 158.1 | 415.8 | 52,0 | 125,1 |
| 10 | Section X | Pulp of wood or of other cellulose material. paper | 2,251.1 | 187.6 | 118.9 | 870.4 | 217.6 | 126.3 | 1,753.1 | 219,1 | 112,2 |
| 11 | Section XI | Textiles and textile articles | 2,823.4 | 235.3 | 112.6 | 1,027.1 | 256.8 | 116.5 | 2,204.1 | 275,5 | 113,5 |

| | | | | | | | | | | | |
|----------|---------------|--|----------|---------|-------|----------|---------|-------|----------|---------|-------|
| 12 | Section XII | Footwear, headgear, umbrellas, walking sticks, | 161.4 | 13.4 | 103.5 | 55.3 | 13.8 | 84.4 | 104.5 | 13,1 | 109,0 |
| 13 | Section XIII | Articles of stone, gypsum, cement, asbestos, mica and similar mater. | 1,017.3 | 84.8 | 112.2 | 382.2 | 95.6 | 137.5 | 746.8 | 93,3 | 101,0 |
| 14 | Section XIV | Natural and cultured pearls, gem and semiprecious stones | 55.0 | 4.6 | 113.4 | 21.2 | 5.3 | 136.1 | 49.1 | 6,1 | 124,6 |
| 15 | Section XV | Base metals and articles thereof | 5,378.5 | 448.2 | 137.3 | 2,275.5 | 568.9 | 157.1 | 5,113.4 | 639,2 | 130,1 |
| 16 | Section XVI | Machinery and mechanical devices; electrical equipment; spare parts; | 11,979.9 | 998.3 | 120.9 | 4,758.3 | 1,189.6 | 135.7 | 10,547.7 | 1 318,5 | 124,5 |
| 17 | Section XVII | Vehicles, aircrafts, vessels and equipment | 6,849.1 | 570.8 | 129.0 | 3,682.2 | 920.5 | 180.2 | 5,394.3 | 674,3 | 112,2 |
| 18 | Section XVIII | Optical, photographic, measuring instruments and thereof | 768.2 | 64.0 | 120.4 | 306.4 | 76.6 | 127.2 | 697.9 | 87,2 | 128,4 |
| 19 | Section XIX | Weapons and ammunition; parts and accessories | 15.7 | 1.3 | 91.0 | 18.8 | 4.7 | 373.2 | 22.4 | 2,8 | 209,9 |
| 20 | Section XX | Miscellaneous manufactured articles | 920.3 | 76.7 | 128.3 | 344.0 | 86.0 | 127.2 | 725.7 | 90,7 | 111,7 |
| 21 | Section XXI | Works of art, collector's items and antiques | 5.1 | 0.4 | 76.9 | 1.9 | 0.5 | 148.5 | 2.1 | 0,3 | 54,4 |
| TOTAL EU | | | 47 005,0 | 3 917,1 | 123.1 | 19,759.8 | 4,940.0 | 141.5 | 40,350.5 | 5,043.8 | 122.1 |

Source: Calculations of the Economic Analyses and Forecast Department, Ministry of Economic Affairs and Labour, based on data of the Central Statistical Office.

Table 16. Exports of commodities to Russia in a breakdown by sections in the years 2003 and 2004

| No | PCN code | Section / branch | I-IV 2004 | | | V-XII 2004 | | | monthly aver. relation | |
|----|-------------|--|------------|---------------|---------------|------------|---------------|---------------|------------------------|------------|
| | | | in mln USD | monthly aver. | dynamics in % | in mln USD | monthly aver. | dynamics in % | dynamics in % | difference |
| | | TOTAL | 613.4 | 153.4 | 127.4 | 2,229.3 | 278.7 | 216.3 | 181.7 | 125.3 |
| 1 | Section I | Livestock; animal products | 41.82 | 10.45 | 123.91 | 60.9 | 7.6 | 80.5 | 72.8 | -2.8 |
| 2 | Section II | Vegetable products | 62.57 | 15.64 | 135.30 | 117.0 | 14.6 | 276.8 | 93.5 | -1.0 |
| 3 | Section III | Animal or vegetable oils and fats and their products | 0.36 | 0.09 | 90.43 | 0.9 | 0.1 | 44.7 | 122.8 | 0.0 |
| 4 | Section IV | Prepared foodstuffs; non-alcoholic beverages, alcohol and vinegar; tobacco | 55.93 | 13.98 | 116.29 | 161.9 | 20.2 | 147.1 | 144.7 | 6.3 |
| 5 | Section V | Mineral products | 2.60 | 0.65 | 218.82 | 8.8 | 1.1 | 175.1 | 169.4 | 0.5 |
| 6 | Section VI | Chemical industry products and related | 90.94 | 22.74 | 147.60 | 345.5 | 43.2 | 235.2 | 190.0 | 20.5 |
| 7 | Section VII | Plastics and rubber and articles thereof | 35.02 | 8.76 | 131.99 | 172.1 | 21.5 | 258.1 | 245.8 | 12.8 |

| | | | | | | | | | | |
|----|---------------|--|-------|-------|--------|-------|------|---------|---------|------|
| 8 | Section VIII | Skins and hides, leather, fur skins and articles thereof; | 0.68 | 0.17 | 150.44 | 2.7 | 0.3 | 258.1 | 197.6 | 0.2 |
| 9 | Section IX | Wood and articles of wood; charcoal; cork and articles of cork; | 14.15 | 3.54 | 111.41 | 41.6 | 5.2 | 137.9 | 147.1 | 1.7 |
| 10 | Section X | Pulp of wood or of other cellulose material. paper | 79.20 | 19.80 | 133.64 | 215.5 | 26.9 | 149.1 | 136.1 | 7.1 |
| 11 | Section XI | Textiles and textile articles | 20.40 | 5.10 | 124.83 | 76.6 | 9.6 | 222.6 | 187.7 | 4.5 |
| 12 | Section XII | Footwear, headgear, umbrellas, walking sticks, | 2.22 | 0.56 | 73.62 | 34.0 | 4.3 | 800.4 | 765.8 | 3.7 |
| 13 | Section XIII | Articles of stone, gypsum, cement, asbestos, mica and similar mater. | 31.37 | 7.84 | 124.35 | 101.5 | 12.7 | 158.8 | 161.9 | 4.9 |
| 14 | Section XIV | Natural and cultured pearls, gem and semiprecious stones | 0.20 | 0.05 | 195.10 | 1.9 | 0.2 | 335.7 | 470.7 | 0.2 |
| 15 | Section XV | Base metals and articles thereof | 28.38 | 7.10 | 114.57 | 194.3 | 24.3 | 294.1 | 342.3 | 17.2 |
| 16 | Section XVI | Machinery and mechanical devices; electrical equipment; spare parts; | 78.69 | 19.67 | 151.31 | 488.6 | 61.1 | 421.3 | 310.4 | 41.4 |
| 17 | Section XVII | Vehicles, aircrafts, vessels and equipment | 40.16 | 10.04 | 82.50 | 105.3 | 13.2 | 151.9 | 131.1 | 3.1 |
| 18 | Section XVIII | Optical, photographic, measuring instruments and thereof | 2.66 | 0.66 | 108.58 | 10.3 | 1.3 | 148.7 | 193.7 | 0.6 |
| 19 | Section XIX | Weapons and ammunition; parts and accessories | 0.00 | 0.00 | | 0.0 | 0.0 | | | 0.0 |
| 20 | Section XX | Miscellaneous manufactured articles | 26.04 | 6.51 | 138.93 | 89.3 | 11.2 | 199.2 | 171.5 | 4.7 |
| 21 | Section XXI | Works of art, collector's items and antiques | 0.01 | 0.00 | 25.00 | 0.3 | 0.0 | 2,190.3 | 1,703.6 | 0.0 |
| 22 | NN | Unknown commodity | 0.00 | 0.00 | | 0.0 | 0.0 | | | 0.0 |

Source: Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the Central Statistical Office.

Table 17. Imports of commodities from Russia in a breakdown by sections after 4 months of 2004 and since May till December 2004

| No | PCN | Section / branch | I-IV 2004 | | | V-XII 2004 | | | monthly aver. relation | |
|----|-------------|--|-----------|---------------|---------------|------------|---------------|---------------|------------------------|------------|
| | | | 7 | monthly aver. | dynamics in % | in mln USD | monthly aver. | dynamics in % | dynamics in % | difference |
| | | TOTAL | 1,893.0 | 473.2 | 106.8 | 4,497.6 | 562.2 | 130.6 | 118.8 | 89.0 |
| 1 | Section I | Livestock; animal products | 9.41 | 2.35 | 303.75 | 23.3 | 2.9 | 101.3 | 124.0 | 0.6 |
| 2 | Section II | Vegetable products | 2.12 | 0.53 | 69.96 | 2.9 | 0.4 | 49.0 | 69.1 | -0.2 |
| 3 | Section III | Animal or vegetable oils and fats and their products | 0.00 | 0.00 | 200.00 | 0.1 | 0.0 | | | 0.0 |
| 4 | Section IV | Prepared foodstuffs; non-alcoholic beverages, alcohol and vinegar; tobacco | 0.70 | 0.18 | 206.78 | 1.4 | 0.2 | 86.7 | 97.2 | 0.0 |

| | | | | | | | | | | |
|----|---------------|--|----------|--------|----------|---------|-------|-------|---------|-------|
| 5 | Section V | Mineral products | 1,577.91 | 394.48 | 98.63 | 3,998.0 | 499.8 | 132.8 | 126.7 | 105.3 |
| 6 | Section VI | Chemical industry products and related | 103.60 | 25.90 | 165.88 | 136.6 | 17.1 | 117.8 | 65.9 | -8.8 |
| 7 | Section VII | Plastics and rubber and articles thereof | 11.38 | 2.84 | 97.95 | 33.3 | 4.2 | 139.2 | 146.3 | 1.3 |
| 8 | Section VIII | Skins and hides, leather, fur skins and articles thereof; | 1.38 | 0.35 | 135.13 | 3.0 | 0.4 | 97.7 | 108.2 | 0.0 |
| 9 | Section IX | Wood and articles of wood; charcoal; cork and articles of cork; | 10.32 | 2.58 | 150.01 | 20.0 | 2.5 | 166.9 | 97.1 | -0.1 |
| 10 | Section X | Pulp of wood or of other cellulose material.; paper | 11.27 | 2.82 | 143.05 | 26.9 | 3.4 | 122.4 | 119.2 | 0.5 |
| 11 | Section XI | Textiles and textile articles | 3.72 | 0.93 | 122.50 | 4.7 | 0.6 | 97.7 | 63.0 | -0.3 |
| 12 | Section XII | Footwear, headgear, umbrellas, walking sticks, | 0.36 | 0.09 | 525.00 | 0.1 | 0.0 | 42.7 | 19.2 | -0.1 |
| 13 | Section XIII | Articles of stone, gypsum, cement, asbestos, mica and similar mater. | 1.92 | 0.48 | 400.84 | 1.9 | 0.2 | 63.1 | 50.6 | -0.2 |
| 14 | Section XIV | Natural and cultured pearls, gem and semiprecious stones | 0.02 | 0.00 | 43.59 | 1.0 | 0.1 | | 2,909.1 | 0.1 |
| 15 | Section XV | Base metals and articles thereof | 123.48 | 30.87 | 223.96 | 176.0 | 22.0 | 107.4 | 71.3 | -8.9 |
| 16 | Section XVI | Machinery and mechanical devices; electrical equipment; spare parts; | 12.93 | 3.23 | 196.33 | 36.4 | 4.6 | 196.5 | 140.9 | 1.3 |
| 17 | Section XVII | Vehicles, aircrafts, vessels and equipment | 15.60 | 3.90 | 217.07 | 21.9 | 2.7 | 90.0 | 70.3 | -1.2 |
| 18 | Section XVIII | Optical, photographic, measuring instruments and thereof | 0.53 | 0.13 | 58.25 | 1.5 | 0.2 | 79.3 | 143.0 | 0.1 |
| 19 | Section XIX | Weapons and ammunition; parts and accessories | 1.69 | 0.42 | 1,873.33 | 1.3 | 0.2 | 35.5 | 37.4 | -0.3 |
| 20 | Section XX | Miscellaneous manufactured articles | 4.66 | 1.17 | 204.75 | 7.2 | 0.9 | 147.4 | 77.1 | -0.3 |
| 21 | Section XXI | Works of art, collector's items and antiques | 0.01 | 0.00 | 22.50 | 0.0 | 0.0 | 22.9 | 25.4 | 0.0 |

Source: Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the Central Statistical Office.

In the period May – December 2004, the following changes *in imports of* commodities from EU countries were observed:

- growth of the average monthly level of imports as compared to the period prior accession in 14 sections (by USD 391 million jointly), of which the highest – in imports of machinery and mechanical devices (by USD 129 million), metallurgical products (by USD 70 million) and mineral products (by USD 63 million);

- b) lowering of the average monthly level of purchases in EU countries in 8 sections (by USD 286 million jointly), including in section XVII – vehicles, ships (by USD 246 million).

In the year 2004 an exceptional revival of exports to this country took place (by 88% as compared to the previous year), to the level of USD 2.8 billion.

Its average monthly level increased after Poland's accession to the EU by almost USD 280 million (from the level of USD 153 million in the period of the first 4 months). This may be, inter alia the effect of an increased competitiveness of Polish agricultural and food products directed to this market, resulting from the possibility of applying the allowed in EU subsidising of their exports. Moreover, as it has been mentioned earlier, the scale of Polish exports to this market could be increased in result of direct sales of goods to the Russian market (resigning from indirect export of commodities through Lithuania and Latvia).

The growth of the average monthly level of exports to Russia, after Poland's accession to the EU, was mainly recorded in the following commodity groups:

- | | |
|------------------------------------|--|
| – machinery and mechanical devices | – by USD 41 mln, to USD 61 mln, i.e. by 210%; |
| – chemical industry products | – by USD 33 mln, to USD 65 mln, i.e. by 105%; |
| – metallurgical product | – by USD 17 mln, to USD 24 mln, i.e. by 243%; |
| – light industry products | – by USD 8 mln, to USD 14 mln, i.e. by 147%. |

After the accession a parallel revival of imports from Russia was taking place. The average monthly level of purchases after the accession proved to be by USD 89 million higher than in the period of the first four months of the year 2004 and amounted to USD 562 million. This was mainly the result of a growth in imports of fuels (growth by USD 105 million to USD 500 million monthly average) due to the rise in world prices of oil.

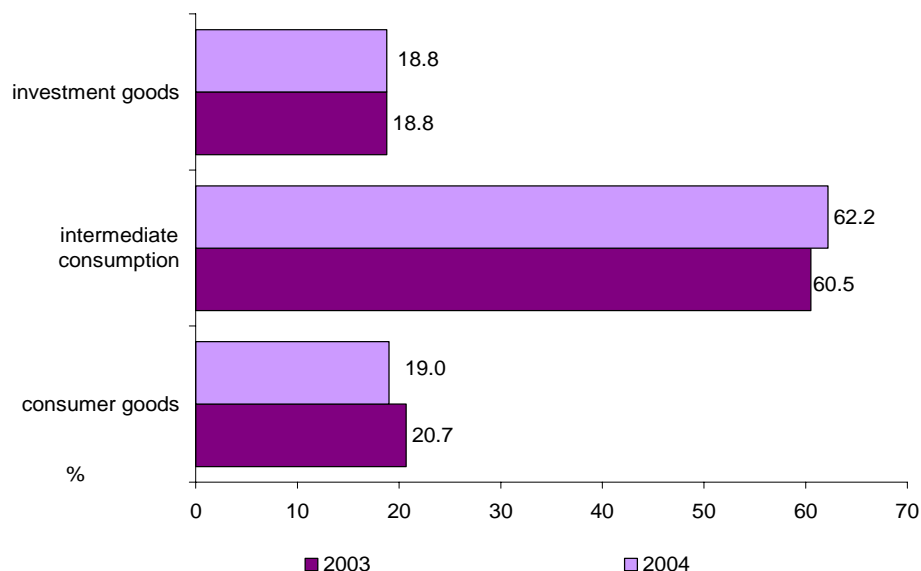
Chapter 7

MAJOR DIRECTIONS OF IMPORTS IN THE YEAR 2004

The structure of import distribution, similarly as in recent years, in the year 2004 did not undergo major changes. According to basic economic categories (BEC) a dominating part of imports (ca 80%) is designated for intermediate and investment purposes. The remaining part – accounts for consumer imports.

This is illustrated by the chart below.

Chart 11. Changes in the structure of import distribution in the year 2004



Source: Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, based on data of the Central Statistical Office.

The economic revival continued in the year 2004 resulted in a major growth of intermediate imports (by 32.7% in the year 2004 as compared to the previous year) and investment imports (by 30.9%). The growth of these import

streams was the result of both increased investment outlays in the economy and increased demand for semi-products crucial for export production (dynamic export growth, at its high import flexibility resulted in an increased intermediate import).

The growth of consumer import in 2004 showed to be by over 10 percentage points slower than in the case of the remaining streams, which resulted in a decreased share of these commodities in total imports. Industrial consumer goods, including motor vehicles, accounted for almost 81% of imports in this group.

Chapter 8

REALISATION OF TRADE POLICY IN RESPECT OF INTERNATIONAL AGREEMENTS

8.1. World Trade Organization

- *State of negotiations of the New WTO Round*

Poland is the cofounder of the World Trade Organisation (WTO) established in the year 1995, in result of the Uruguay Round GATT. The fundament of the WTO constitutes the multilateral trade agreements defining the rules of the modern global trade system.

During November 9–13th, 2001, the 4th Ministerial Conference in Doha took place, which made the decision to begin the New Round of multilateral WTO trade negotiations (the so-called Doha Development Round).

The New Round was called the Doha Development Round, as it had a strictly developmental dimension, i.e. considering needs and interests of developing countries.

The major negotiation areas of the New Round, compromised among other: agriculture (access to the market, subsidies to exports, domestic support), access to the market for other than agricultural products, trade of services.

The course of negotiations up to the 5th Ministerial Conference in Cancun was characterised by an unsatisfactory timing and a very uneven progress in particular negotiation areas. No negotiation deadlines defined in the ministerial Declaration from Doha were kept.

In respect of the planned finish of the Doha Round by the end of the year 2004 and the situation, in which no negotiation deadlines defined in the ministerial Declaration from Doha were kept, big expectations were linked with the 5th WTO Ministerial Conference in Cancun (September 2003).

The major aim of the 5th Ministerial Conference in Cancun was to bring a breakthrough in the multilateral trade negotiations taking place since January 2002 and to make a decision about initiating negotiations in the

so-called Singapore areas referring to the transparency in public orders, facilitations in trade, relations between trade, investments and competition.

The 5th Ministerial Conference in Cancun finished without success. The only aspect that was agreed upon, was the strong would to continue negotiations in Geneva regarding aspects on which no consensus had been reached, but on the basis of all earlier made agreements.

A significant reason of the negotiation failure in Cancun became the excessively awakened expectations of developing countries concerning the scope of possible unilateral concessions for them from the side of developed countries. Moreover, the Conference also proved that without the elimination of export subsidies and a more profound reduction of domestic support in the most affluent countries, an agreement with developing countries and bringing the present Round to an end will not be possible.

The EU declared its readiness to eliminate export subsidies on its side in return for eliminating various instruments of support also on the side of other developed countries.

The successive 6th Ministerial Conference is planned for December 2005 in Hong-Kong. It is expected to determine the direction and rate of liberalisation of trade in goods and services of the present negotiation round.

The most controversial area of negotiations is agriculture, where developing countries attack the policy of agriculture subsidising in the EU and demand a greater access to the market for their own agricultural products. Whereas developed countries, (including EU) condition the potential concessions in agriculture by a major trade liberalisation concerning industrial products and services on the side of developing countries.

Successive negotiation rounds, in result of which a liberalisation of customs tariffs occurs, lead to better conditions of exports to markets of other countries and introduce lucid and transparent rules of international trade. However it should be remembered that the liberalisation agreements concern all countries, including Poland (as a member of the European Union which performs on the WTO forum as one entity). This means that along with the better access of Polish commodities to third markets, simultaneously decreases the protection against imports and increases the competition on the Polish market.

- *State of negotiations regarding the accession of new countries to the WTO*

In the year 2004 the number of members of the World Trade Organisation amounted to 148 members, i.e. by two members more than in the year 2003 (Nepal and Cambodia).

Presently, accession negotiations within the WTO are conducted with 31 countries: Afghanistan, Algeria, Andorra, Azerbaijan, Bahamas, Belarus, Bhutan, Bosnia and Herzegovina, Ethiopia, Green Horn Islands, Iran, Iraq, Kazakhstan, Laos, Libyan, Libya, Russia, Samoa Islands, Saudi Arabia, Seychelles, Serbia, Montenegro, Sudan, St. Thomas and Prince's Islands, Tajikistan, Tonga, Ukraine, Uzbekistan, Vietnam, Vanuatu and Yemen.

From the Polish perspective, the most important accession negotiations are negotiations with the group of CIS countries, especially with Russia and Ukraine.

The entrance to the EU changed Poland's situation on the WTO forum, due to the fact of transferring the trade policy from the national to the community level. This means that negotiations with third countries and the WTO are conducted by the European Commission (DG Trade) on the basis of the EU Council mandate (Ministers of EU member states) and in consultation with the working parties of the EU Council, mainly with the Committee 133, in which work a Polish representative participates. The Committee 133 discusses also all issues related with the participation of member states in the world Trade Organization.

On the WTO forum EU member states do not present their individual positions; a common EU position is presented by the European Commission. Hence the Committee 133 is the forum, on which Poland actively takes part in creating the community trade policy presented within the WTO negotiations.

In the year 2003, Poland managed to finalize bilateral negotiations with Ukraine, and in December signed a bilateral Protocol.

With the remaining countries, Poland does not conduct independent accession negotiations, as already in July 2003 it has passed to the European Commission its rights in this field, along with all necessary documentation. Within the common trade policy negotiations with Russia have been finalized, with which the EU signed a bilateral Accession Protocol to the WTO on April 27th, 2004.

Among Poland's priorities is leading to a stabilization of the trade policy of those countries in the process of negotiating their accession to the WTO in order to achieve a transparency of trade regulations and eliminate regulations which are incompatible with the WTO Agreements.

Ukraine's offer is the most ambitious offer for the WTO among countries of a similar degree of development. It assumes a very low level of protection (the declared duty rates will be low). This also means that the possible future Free Trade Agreement (FTA) agreement will provide the EU with a low preference margin. Poland is glad to accept the evident change in the EC and member states attitude towards Ukraine.

- *The developmental aspect of the New Round*

The World Trade Organization and multilateral Agreements constituting the annexes of the Agreement establishing the World Trade Organization¹, following GATT 1947, also comprise provisions of a particular and differentiated, treatment of developing countries and provisions on technical aid, which countries (especially developed countries) are obliged to provide to developing countries.

In respect of the New Round negotiations, WTO member states decided to regulate aspects related with the complete implementation of WTO Agreements negotiated within the framework of the Uruguay Round, so that, on one side developing countries, after the end of the longer transition periods, could fully realize the Agreements' provisions, and on the other side, developing countries could completely fulfil their obligations of providing technical aid to those countries, particularly to less developed countries.

In the context of the New Round of negotiations on the WTO forum several activities were initiated for developing and less developed countries. Among such actions was the concept of establishing preferences for least developed countries through enabling them a duty-free and unlimited quota access to markets of developed countries. This conception, through the stimulation of export growth was to account for an encouragement for least developed countries to engage in the process of successive WTO negotiations.

¹ Journal of Laws 1995, No 98, item 483.

The European Union within the framework of the above mentioned activities eliminated quota and duty for almost all products deriving from least developed countries – excluding weapons – in the year 2001 (the EBA initiative – Everything But Arms). Similar actions were undertaken by many developed countries. Poland accessing the European Union on May 1st, 2004 automatically joined this initiative by accepting the common EU customs tariff.

Member states together with the WTO Secretariat undertook further action aimed at reinforcing and synchronizing provided technical aid. The WTO Secretariat was obliged to develop survey forms, which would help developing countries to exactly define areas, in which they would expect technical aid. Simultaneously, a compilation of actions carried out by developed countries was made, in order to avoid a repetition of the same activities.

It is expected that the present negotiation Round will lead to a better situation of developing and least developed countries as regards the access of their goods and services to the markets of the remaining countries, as well as to an improved infrastructural situation and production potential of these countries through more effective actions in the area of provided technical aid.

8.2. Customs liberalization in commodity turnover

On May 1st, 2004 Poland along with 9 other countries entered the European Union. In respect of the accession according to arrangements resulting from earlier negotiations with the European Commission, Poland adopted the community legislation, including also regulations concerning imports from third countries. Among adopted regulations in this field is also the Common EU Customs Tariff, including the defined in it levels of customs tariffs valid in imports of commodities to the Community as well as regulations concerning import regimes for different products, especially agricultural.

Generally, considering the entire import of commodities to Poland the level of customs charges has decreased.

In the case of agricultural products, Poland's accession to the EU was of a neutral character as taking into account the trade exchange with third

countries, duties both increased and dropped for commodities which accounted respectively for over 37% of imports to Poland whereas in ca 25% the level of customs tariff did not change.

The biggest drops in customs tariffs concerned the imports of tobacco, wines, vodkas, dried fruit, peanuts, honey, juices, plant extracts and spices.

The highest rises in customs tariff covered goods such as: bananas, lemons, grapes, watermelons, apples, pears, milk, butter, cheeses, rice, garlic, some kinds of wheat and wheat products, and several types of fish (tuna, herring, mackerel).

When comparing duty rates applied to industrial goods it should be noted, that in the case of 61% of imports of these goods, the level of duty did not change, and in the case of 35% it decreased. Only in the case of ca 4% of imported goods, the customs tariff increased. The biggest drops in tariffs concerned heavy oils, motor cars, steel and some steel articles, fur skins, clocks, electronic equipment, clothing, headgear and luggage bags. Higher duty concerned potassium chloride, urea, some steel rolled articles, some ropes and cables.

Since accession Poland is a member of the EC Working Group – Economic Tariff Questions Group (ETQG) which covers autonomic EU tariff regulations, e.g. tariff quota and suspension of duty collection.

In the year 2004 Poland submitted 28 proposals of Polish firms for modifying duty protection. In course of discussion on ETQG forum, EU member states had several objections regarding Polish proposals. These objections were passed to the initiators of the proposals who contacted the EU enterprises which had objections. On the basis of received information it was agreed that most products included in the Polish proposals (20 proposals) are produced in the EU and cannot be subject to duty suspension or non-tariff quota. Therefore all these proposals were recognized as being illegitimate.

8 Polish proposals, which concerned chemical components used for the production of pharmaceuticals, cotton gauze and monitoring systems used in electric power steering systems, were accepted by the European Commission and other member states. These goods were included in the year 2004 to the autonomic community duty suspension (non-tariff).

8.3. Non-tariff instruments in the year 2004 (considering the situation after Poland's accession to the EU)

8.3.1. Non-tariff instruments adopted during the year 2003 (valid till April 30th, 2004 – EU accession)

1. rough diamond turnover scheme related with the Kimberley Process, (4 regulations):
 - a) turnover forbidden,
 - b) automatic registration of turnover.
 - turnover realized solely on the basis of Certificates issued by countries participating in the process and only in quantities such as defined in these certificates.
2. automatic registration (2 regulations), erga omnes binding, adopted for:
 - a) import of coal,
 - b) import of graphite electrodes.
3. ammonium nitrate import system (2 regulations):
 - a) imports forbidden,
 - b) automatic registration in imports (license system).
 - Polish import permit issued solely on the basis of Ukrainian export licenses and only in quantities as defined in the Ukrainian licenses.

8.3.2. Non-tariff instruments implemented upon January 1st, 2004 (valid till April 30th, 2004 – EU accession)

1. continuation of turnover monitoring (jointly 5 regulations of the Minister of Economy):
 - in imports – a) agricultural products, b) second-hand clothes, c) coal, technical gelatine, acryl yarn and equipment for games
 - in exports – d) sections, e) waste paper.
2. limiting turnover to a defined level (as a quota) – (one regulation):
 - in imports – cement from Byelorussia.

8.3.3. Non-tariff instruments adopted during the year 2004 (valid till April 30th, 2004 – EU accession)

1. automatic registration (two regulations), erga omnes binding, for:
in imports – a) agricultural products containing sugar, b) ammonium nitrate.
2. extra duty charge (2 regulations):
 - a) for import of small chickens, however with the reservation that the extra duty charge does not refer to chicks from farms, moreover several agricultural goods and agricultural products containing sugar, for which the EU introduced transition measures,
 - b) amendment of the Council of Minister's resolution on excluding the application of extra duty charge.

8.3.4. EU non-tariff instruments which covered Poland upon May 1st, 2004

In respect of the EU accession, Poland's legal status concerning foreign trade regulation has changed. A new law has been introduced to the Polish legislation: *law of April 16th, 2004 on administrating foreign commodity turnover* (Journal of Laws, No 97, item 963 and from 2005, No 14, item 115).

In accordance with art. 133 of the EC Treaty the Common trade policy is based on uniform rules, especially as regards customs tariffs, concluding customs and trade agreements, unifying liberalization measures, export policy and commercial protective measures taken in the case of dumping or subsidies.

Therefore, foreign trade measures, with certain exceptions, mentioned below, are established by the Council or the European Commission in the course of decisions and laws applied directly.

Although measures of administrating commodity turnover with third countries (trade measures) are established by the EU, and not by individual member states, nonetheless regulations of community law do not exclude their application by EU member states:

- bans, limitations or control instruments justified by reasons of public morality, public order, public security, health protection, protection of human and animal life or plants, protection of national cultural heritage of artistic, historical or archaeological value, or the protection of industrial and commercial ownership (in reference to export only these reasons);

- special formalities concerning currency exchange;
- formalities introduced for realizing international agreements being in accordance with the Treaty.

The indicated regulation dualism on the EU level (exclusive scope of EU competency as regards the developing of international trade within EU 25 – third countries and a narrow range of competencies admitted to individual EU member states) is reflected by the above mentioned law of April 16th, 2004 on administrating foreign commodity turnover. Therefore, the provisions of this law may be divided into two parts:

1. first, dedicated solely to the realization of regulations of the community law i.e. trade instruments established by the EU, and
2. second, providing the possibility of legislating the so-called autonomic measures of turnover administrating, in above mentioned cases provided by regulations of community law, and also providing the course of their legislation and rules of functioning.

In the case of autonomic measures mentioned in point 2 law regulations refer directly to concrete regulations of community law, which provide the possibility of establishing such measures by particular EU member states, and also defining the reasons of their establishment.

At present one trade instrument is applied. It is an instrument of an autonomic character resulting from the realization of the EU directive, which required introduction to national legislation. This is the law of the Minister of Economy and Labour *on the ban on imports from third countries of skins of some species of puppy seals and products thereof*, which was developed in order to realize the directive 83/129/EEC of March 28th, 1983 concerning imports to Member States of skins of some species of puppy seals and products thereof (Journal of Laws EC L 091 of 09/04/1983), of the amended directive 89/370/EEC of June 8th, 1989 amending the directive 83/129/EEC concerning imports to Member States of skins of some species of puppy seals and products thereof (Journal of Laws, EC L 163 of 14/06/1989).

The other trade instruments of the EU are applied directly, as they are legislated in the course of a decision or resolutions of the Council or the European Commission. Their realization takes place on the basis of regulations of the first part of the law on the administration of foreign commodity turnover. The regulations of this law in this field are applied to those instruments, which enact the requirement of possessing import-export permits (the law settles that such permits are granted in the course of an administrative decision and indicates the bodies, which issue such decisions). In respect of these reasons, this part of regulations of the law on administration of commodity turnover is applied to quota limiting turnover or license control of turnover or any other trade instrument, which poses the requirement of possessing import-export permits (bans on turnover do not require documents and are applied directly without the need of referring to national law).

Upon May 1st, 2004, the Polish legislation included the following non-tariff instruments:

1. Textiles and clothing

- A system of limited quota and control of imports is effective (both double-checking and single-checking). Two regimes may be differentiated: conventional i.e. realized on the basis of international agreements (bilateral and multilateral) and autonomic i.e. applied unilaterally by the EU. The system of importing textiles and clothing to the EU is constantly modified. The major change was repealing upon January 1st, 2005, the limitation of quotas related with the expiry of the WTO agreement on textiles and clothing. In result of this modification in the first quarter of the year 2005, a considerable rise in imports from China was observed, which lead to initiating safeguard proceeding and negotiating a limitation of export from China to the EU in 10 commodity categories.

2. Footwear and tableware

- The system of quota limiting imports to the EU of Chinese footwear and tableware was effective till the end of 2004. In the case of footwear, at the beginning of the year 2005 a supervision of imports was introduced. Proposals for launching anti-dumping procedure in

reference to imports of footwear from China are also being prepared. The system of license supervision for imports of footwear from Vietnam, effective in Poland since the EU accession date, expired with the end of the year 2004.

3. Steel products

- The system of quota limiting imports to the UE from Russia, Ukraine and Kazakhstan is effective. In the case of other third countries – imports are supervised, whereas in the case of Moldavia, Romania and Macedonia the supervision is based on the system of double-checking.

8.4. Anti-dumping proceedings and protection against excessive import of goods to the Polish customs area in the year 2004

During the period since January 2004 until May 1st, 2004 third countries applied against the import of Polish commodities 6 anti-dumping and 7 measures against excessive imports. There was also one anti-subsidy proceeding carried out.

I. List of instruments applied against Poland by the EU and other accession countries up to May 1st, 2004

| Commodity | Country | Type of instrument | Proceeding |
|--|-----------|--------------------|---|
| Ammonium nitrate 3102 30 90 0 | Czech R. | SG | Ultimate instrument extra customs charge 5%. |
| Ammonium nitrat 3102 30 90 0 | Hungary | SG | Ultimate instrument extra customs charge 11600 HUF/ton |
| Sugar 1701 | Slovakia | | Ultimate instrument Quota for Poland – 3 500 thousand tons per year |
| Isoglucose, isoglucose and glucose syrups 1702 | Czech R. | SG | Ultimate instrument extra customs charge (83–163%) and sum free of this charge for three commodity groups |
| Cocoa powder 1806 10 90 0 | Czech R. | SG | Ultimate instrument extra customs charge 113% and sum free of this charge |
| Yeast 2102 10 39 0 | Lithuania | SG | Ultimate instrument extra customs charge 16% |
| Pork meat 0103, 0203, 0206 | Latvia | SG | Ultimate instrument extra customs charge 0.257 LVF/kg and sum free of this charge |

| | | | |
|---|---------|----|---|
| Porkhalf 0203 11 10 0 0203 21 10 0 | Latvia | AS | Proceeding in course |
| Sugar 1701 91 00 0 1701 99 10 0 1701 99 90 0 | Hungary | SG | Temporary duty January 23rd, 2004r. ² |
| Polypropylene string 5607 41 00*10 | EU | AD | Ultimate duty 6.1–20.3% |
| UAN 3102 80 00 | EU | AD | Ultimate duty 22 EUR/ton Pulawy Nitric Plants – 0% |
| Ammonium nitrate 3102 30 90 3102 40 90 | EU | AD | Ultimate duty 20,65–26,91 EUR/ton |
| Steel cables and wires 73 12 10 | EU | AD | Ultimate duty 27,9–48,3% price obligations |
| Seamed tubes 7306 30 | EU | AD | Ultimate duty 0–23% |
| Seamless tube 7304 | EU | AD | Ultimate duty 7,1–30,1% |

* AD – anti-dumping, AS – anti-subsidy, SG – safeguard: protection against excessive imports

Source: *Department of Trade Policy Instruments, Ministry of Economic Affairs and Labour.*

In the period January–April 2004 Poland applied measures against excessive imports in relation to 7 commodities and anti-dumping duties towards 4 commodities.

II. List of safeguard instruments applied by Poland and proceedings ongoing since May 1st, 2004

| Commodity | Country | Type of instrument | Proceeding | EU instrument concerning the same sector |
|---------------------------------------|------------|--------------------|--|---|
| Irons 8516 40 10 0 8516 40 90 0 | China | SG | Ultimate instrument Extra charge in the form of a difference between the referential price and the customs value of the commodity | No |
| Some steel products | Erga omnes | SG | Ultimate instrument extra customs charge and sum free of this charge ³ | SG instrument but covering the commodity range of Polish instruments only in a small degree. Moreover in relation to some goods and countries anti-dumping duties exist (details in table including EU instruments) |

² The ultimate instrument is still unknown but in the case of its application it will expire upon May 1st, 2004.

³ Due to differentiated rates for various assortment groups no detailed data is provided.

| | | | | |
|--|----------------------------|----|---|---|
| Carbide 2849 10 00 0 | Erga omnes | SG | Ultimate instrument extra customs charge 15% and sum free of this charge | No |
| Water heaters 8419 11 00 0 | Erga omnes | SG | Ultimate instrument extra customs charge 25% and sum free of this charge | No |
| Rubber 4002 19 00 0 | Russia Czech R. | AD | Ultimate instrument duty Russia 30,1% Czech R. 21% | No |
| Synthetic cable from polyester 5501 20 00 0 | Byelorussia | AD | Ultimate instrument duty 38,8% | Duty AD 21% |
| Synthetic fibre cut from polyester 5503 20 00 0 | Byelorussia | AD | Ultimate instrument duty 7,3% | Duty AD 21% |
| Ligthers Ex 9613 10 00 0 Ex 9613 20 90 0 | China Taiwan Vietnam | AD | duty 0,09 EUR/item Review proceeding in progress | AD proceeding in progress |
| Matches 3605 00 00 0 | Erga omnes | SG | Proceeding in progress | No |
| Cement 2523 29 00 0 2523 90 10 0 2523 90 30 0 | Byelorussia | SG | Proceeding in progress | No |
| Ammonium nitrate Ex 3102 30 90 0 3102 40 00 0 | Ukraine | SG | Proceeding in progress | Ban on imports with the exception of 40 thous. tons of imports, for which an export license should be obtained |

*AD – anti-dumping, SG – safeguard: protection against excessive imports

Source Department of Trade Policy Instruments, Ministry of Economic Affairs and Labour.

All the above mentioned measures expired automatically upon April 30th, 2004. After May 1st, 2004, the EU and therefore Poland also, applied anti-dumping and anti-subsidy measures in relation to 61 goods from 46 countries, of which: 170 anti-dumping and 21 anti-subsidy instruments (compensation duties). In the year 2004, 29 new anti-dumping proceedings were initiated. In relation to the existing protective instruments the following proceedings were carried out: verification, revision and review, which lead or will lead to repealing, prolonging, expanding the scope or the modification of these measures:

6 review proceedings,

26 verification proceedings,

2 revision proceedings,

8 proceedings in the case of evading an instrument,

1 safeguard proceeding against a rise in imports,

1 other proceeding.

In the year 2004, third countries applied anti-dumping and anti-subsidy measures against 39 goods from the EU.

III. List of anti-dumping and anti-subsidy instruments, safeguard instruments protecting against successive imports applied against the UE, which after May 1st 2004 included also imports from Poland

| Country | Commodity | CN | Type of instrument* |
|-----------|------------------------------|--|---------------------|
| Argentina | Tinned peaches | 2008 70 | AS |
| Argentina | Olive oil | 1509 | AS |
| Argentina | Wheat gluten | 1109 00 00 | AS |
| Brazil | Powdered milk | 0402 21 0402 29 | AD |
| Canada | Refined sugar | 1701 91 1701 99 1702 90 | AS |
| Egypt | Car tyres | 4011 10 4011 20 | AD |
| India | Aniline | 2921 41 | AD |
| India | Choline chloride | 2309 90 2923 10 | AD |
| India | Stainless cold rolled sheets | 7219 31 7219 32 7219 33 7219 34 7219 35 7219 90 | AD |
| India | Rubber (HSR) | 3903 90 | AD |
| India | Elastic polyol | 3907 20 3907 91 3907 99 | AD |
| India | Amine sulfate | 2825 10 | AD |
| India | Oxoalcohols | 2905 | AD |
| India | Sodium cyanide | 2837 11 | AD |
| India | Sodium ferrocyanide | 2837 20 | AD |
| India | Soda nitre | 2834 10 | AD |
| India | Theophylline & caffeine | 2939 30 2939 50 | AD |
| India | Thermosensitive paper (TSP) | 4809 10 | AD |
| India | VitamineAD3 | 2936 | AD |
| India | Vitamine C | 2936 27 | AD |
| Indonesia | Sorbite | 2905 44 | AD |
| Malesia | Self-copying paper | 4809 20 4816 20 | AD |

| | | | |
|-------------|--------------------------|--|----|
| Mexico | Frozen beef | 0202 10 0202 20 0202 30 | AS |
| Mexico | Crystalline polystyrene | 3903 19 | AD |
| New Zealand | Canned peaches | 2008 70 | AS |
| USA | Sugar | 1701 11 1701 12 1701 91 1701 99 | AS |
| Venezuela | Blue-veined cheese | 0406 40 | AS |
| Venezuela | Gryiere cheese | 0406 90 | AS |
| Venezuela | Semi-hard cheese | 0406 90 | AS |
| China | Catechin | 7326 20 | AD |
| India | Methyl chloride | 2903 12 | AD |
| India | Phenol | 2707 60 2907 11 | AD |
| India | Glycerol phenyl (PHPG)-I | 2942 | AD |
| India | Vitamine A palmitynian | 2936 21 | AD |
| Peru | Olive oil | 1509 | AS |
| India | Vitamine AB2D3K | 2309 90 | AD |
| India | Potassium carbide | 2836 40 | AD |
| Philipines | Ceramic roof tiles | 690790 690890 | SG |
| USA | Some steel products | | SG |

* AD – anti-dumping, AS – anti-subsidy, SG – safeguard against a rise in imports

Source: Department of Trade Policy Instruments, Ministry of Economic Affairs and Labour.

Contents Table

| | | |
|-----------|---|----|
| Table 1. | Nominal and real fluctuation in the exchange rate of the euro and dollar in zlotys in successive quarters of the year 2004 as compared to respective periods of the previous year | 8 |
| Table 2. | Foreign trade turnover in the years 2002–2004 (in million USD) | 12 |
| Table 3. | Relation of exports to the GDP in the years 1995–2004 | 13 |
| Table 4. | Current turnover account balance in the years 1995–2004 | 13 |
| Table 5. | Monthly commodity turnover in foreign trade since January 2000 to December 2004 (acc. to NBP) | 14 |
| Table 6. | Foreign trade turnover in the years 1992–2004 | 18 |
| Table 7. | Foreign trade turnover in the years 1992–2004 (acc. to SAD) | 21 |
| Table 8. | Poland's foreign trade turnover in the year 2004 in a breakdown by groups of countries (in million USD) | 24 |
| Table 9. | Changes in the geographical structure of commodity turnover in the years 2003–2004 and their impact on the exchange balance | 28 |
| Table 10. | Changes in the commodity structure of trade turnover in the years 2003–2004 and their impact on the exchange balance | 34 |
| Table 11. | Poland's foreign trade turnover in the year 2004 in a breakdown by two periods: before and after the accession (in million USD) | 35 |
| Table 12. | Exports of commodities to EU countries in the years 2003 and 2004 | 38 |
| Table 13. | Imports of commodities to EU countries in the year 2003 and 2004 | 39 |
| Table 14. | Exports of commodities to EU countries in a breakdown by sections in the years 2003 and 2004 | 40 |

| | | |
|-----------|---|----|
| Table 15. | Imports of commodities to EU countries in a breakdown by sections in the years 2003 and 2004 | 41 |
| Table 16. | Exports of commodities to Russia in a breakdown by sections in the years 2003 and 2004 | 42 |
| Table 17. | Imports of commodities from Russia in a breakdown by sections after 4 months of 2004 and since May till December 2004 | 43 |

Contents Chart

| | | |
|-----------|--|----|
| Chart 1. | Changes in average prices of oil and gas since the year 1992 (USD) | 10 |
| Chart 2. | Monthly foreign trade turnover, commodity turnover balance and on the current turnover balance since January 2000 to December 2004 (acc. to NBP) | 14 |
| Chart 3. | Changes in the value of exports and export volume in the years 1992–2004 | 20 |
| Chart 4. | Changes in the value of import and import volume in the years 1992–2004 | 21 |
| Chart 5. | Changes in the index of foreign trade turnover balance in the years 1994–2004 | 22 |
| Chart 6. | Geographical structure of foreign trade turnover in the year 2004 | 23 |
| Chart 7. | Changes in the index of foreign trade turnover balance with developing countries since the year 1994 (in %) | 27 |
| Chart 8. | Changes in the commodity structure of exports in the year 2004 (in %) | 30 |
| Chart 9. | Changes in the commodity structure of imports in the year 2004 (in %) | 32 |
| Chart 10. | Monthly levels of foreign trade turnover since January 2000 | 36 |
| Chart 11. | Changes in the structure of import distribution in the year 2004 | 47 |

